# Pucara Gold Ltd.
(An Exploration Stage Company)

# Consolidated Financial Statements
(expressed in Canadian dollars)

December 31, 2023

**Pucara Gold Ltd.**
#2110 – 650 West Georgia Street
Vancouver, BC   V6B 4N8

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Pucara Gold Ltd.

***Opinion***

We have audited the accompanying consolidated financial statements of Pucara Gold Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

***Material Uncertainty Related to Going Concern***

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of $873,245 during the year ended December 31, 2023 and has an accumulated deficit of $20,628,325 at December 31, 2023. As stated in Note 2, these factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, prepared under the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

*Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")*

As described in Note 3 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was $216,335 as of December 31, 2023. As more fully described in Note 2 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Asset.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Reviewing the Company's recent expenditure activity.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year ended and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Zachary Faure.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

April 24, 2024

Pucara Gold Ltd.
(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

| | Note | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | **$ 545,768** | $ 1,427,328 |
| Receivables | | **48,495** | 68,624 |
| Prepaid expenses | | **29,273** | 36,110 |
| **Total current assets** | | **623,536** | 1,532,062 |
| **Non-current assets** | | | |
| Exploration and evaluation assets | 3 | **216,335** | 186,044 |
| Equipment | 4 | **27,340** | 52,932 |
| Advances | | **11,464** | - |
| **Total non-current assets** | | **255,139** | 238,976 |
| **TOTAL ASSETS** | | **$ 878,675** | $ 1,771,038 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 7 | **$ 133,998** | $ 178,488 |
| **TOTAL LIABILITIES** | | **133,998** | 178,488 |
| **EQUITY** | | | |
| Share capital | 6 | **19,405,894** | 19,405,894 |
| Share-based payment reserve | 6 | **1,839,197** | 1,813,825 |
| Accumulated other comprehensive income | | **127,911** | 126,209 |
| Deficit | | **(20,628,325)** | (19,753,378) |
| **TOTAL EQUITY** | | **744,677** | 1,592,550 |
| **TOTAL LIABILITIES AND EQUITY** | | **$ 878,675** | $ 1,771,038 |
| Nature of operations | 1 | | |
| Continuance of operations | 2 (b) | | |

Approved on behalf of the Board of Directors

"David Awram" Director          "Greg Davis" Director

The accompanying notes are an integral part of these consolidated financial statements

Pucara Gold Ltd.
(An Exploration Stage Company)
Consolidated Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars, except for the number of shares)

| | Notes | | **For the year ended December 31, 2023** | | For the year ended December 31, 2022 |
|---|---|---|---|---|---|
| **Exploration expenditures** | 3 | **$** | **81,989** | $ | 582,252 |
| **General and administration** | | | | | |
| Accounting and legal | 7 | | **162,061** | | 221,915 |
| Accretion | | | **-** | | 1,205 |
| Amortization | | | **-** | | 20,574 |
| Office and miscellaneous | | | **55,212** | | 131,181 |
| Investor relations | | | **56,858** | | 91,630 |
| Management and consulting fees - Canada | 7 | | **126,638** | | 259,746 |
| Salaries and wages - Peru | | | **401,279** | | 740,612 |
| Share-based payments | 6 | | **25,372** | | 161,220 |
| Travel | | | **3,816** | | 75,856 |
| Total general and administrative expenses | | | **831,236** | | 1,703,939 |
| **Loss before other items** | | | **913,225** | | 2,286,191 |
| **Other items** | | | | | |
| Foreign exchange loss | | | **7,325** | | 9,481 |
| Impairment of exploration and evaluation assets | | | **-** | | 205,828 |
| Interest income | | | **(2,926)** | | (14,972) |
| Gain on disposal of assets | | | **(30,778)** | | - |
| Other income | | | **(11,899)** | | (97,577) |
| **Net loss** | | | **874,947** | | 2,388,951 |
| Other comprehensive income | | | **(1,702)** | | (40,916) |
| **Total comprehensive loss** | | **$** | **873,245** | $ | 2,348,035 |
| **Loss per common share** | | | | | |
| Basic and fully diluted | | **$** | **0.01** | $ | 0.04 |
| Weighted average number of common shares outstanding - basic and fully diluted | | | **76,591,960** | | 63,704,289 |

The accompanying notes are an integral part of these consolidated financial statements

Pucara Gold Ltd.
(An Exploration Stage Company)
Consolidated Statement of Changes in Equity
(Expressed in Canadian dollars, except for the number of shares)

| | Note | Share capital | | Share-based payment reserve | Accumulated other comprehensive income | Deficit | Total |
|---|---|---|---|---|---|---|---|
| | | Number of shares | $ | $ | $ | $ | $ |
| **Balance at December 31, 2021** | | 62,591,960 | 18,705,894 | 1,652,605 | 85,293 | (17,364,427) | 3,079,365 |
| Net loss for the year | | - | - | - | - | (2,388,951) | (2,388,951) |
| Private Placement | | 14,000,000 | 700,000 | - | - | - | 700,000 |
| Share-based payments | | - | - | 161,220 | - | - | 161,220 |
| Other comprehensive income | | - | - | - | 40,916 | - | 40,916 |
| **Balance, December 31, 2022** | | 76,591,960 | 19,405,894 | 1,813,825 | 126,209 | (19,753,378) | 1,592,550 |
| Net loss for the year | | - | - | - | - | (874,947) | (874,947) |
| Share-based payments | 6 | - | - | 25,372 | - | - | 25,372 |
| Other comprehensive income | | - | - | - | 1,702 | - | 1,702 |
| **Balance, December 31, 2023** | | 76,591,960 | 19,405,894 | 1,839,197 | 127,911 | (20,628,325) | 744,677 |

The accompanying notes are an integral part of these consolidated financial statements

Pucara Gold Ltd.
(An Exploration Stage Company)
Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

| | For the year ended December 31, 2023 | For the year ended December 31, 2022 |
|---|---|---|
| **Operating activities** | | |
| Net loss | **$ (874,947)** | $ (2,388,951) |
| Items not affecting cash | | |
| Accretion | **-** | 1,205 |
| Amortization of right-of-use asset | **-** | 20,574 |
| Depreciation of equipment | **14,019** | 30,927 |
| Foreign exchange loss | **-** | 1,396 |
| Impairment of exploration and evaluation assets | **-** | 205,828 |
| (Gain) loss on disposal | **(30,778)** | 1,560 |
| Share-based payments | **25,372** | 161,220 |
| | **(866,334)** | (1,966,241) |
| Change in non-cash operating working capital | | |
| Receivables and prepaid expenses | **15,502** | (471) |
| Accounts payable and accrued liabilities | **(44,490)** | (51,607) |
| **Cash used in operating activities** | **(895,322)** | (2,018,319) |
| **Investing activities** | | |
| Payments for exploration and evaluation assets | **(29,663)** | (103,858) |
| Payments for equipment | **-** | (661) |
| Cash received from sale of equipment | **42,616** | - |
| **Cash received from (used in) investing activities** | **12,953** | (104,519) |
| **Financing activities** | | |
| Proceeds from private placements | **-** | 700,000 |
| Lease payments | **-** | (23,258) |
| **Cash received from financing activities** | **-** | 676,742 |
| **Effect of exchange rate changes on cash** | **809** | 3,166 |
| **Decrease in cash** | **(881,560)** | (1,442,930) |
| **Cash - beginning of the year** | **1,427,328** | 2,870,258 |
| **Cash - end of the year** | **$ 545,768** | $ 1,427,328 |

The accompanying notes are an integral part of these consolidated financial statements

## 1. Nature of Operations

Pucara Gold Ltd. (the "Company" or "Pucara") was incorporated under the British Columbia Business Corporations Act, and is engaged in the acquisition, exploration and evaluation of mineral properties in Latin America, currently with exploration and evaluation properties in Peru. The Company trades on the TSX Venture Exchange ("TSXV") under the symbol "TORO".

Pucara is in the process of exploring its exploration and evaluation assets and has not yet determined whether they contain reserves that are economically recoverable. As at the date of these consolidated financial statements, the Company has not identified a body of commercial grade mineral on any of its properties. The Company's objective is to discover mineral deposits and either sell, option, joint venture, or otherwise participate in their development.

The Company's registered address and records office is #2110 – 650 West Georgia Street, Vancouver, British Columbia, V6B 4N8, Canada.

These consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on April 24, 2024.

## 2. Basis of Presentation and Material Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

### I) Basis of Presentation and Measurement

a) **Statement of Compliance**

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

**Basis of Measurement**
These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts are expressed in Canadian dollars, unless noted otherwise.

b) **Continuance of Operations**
These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from the carrying values shown and these consolidated financial statements do not include adjustments that would be necessary if the going concern assumption is not appropriate.

The Company incurred a comprehensive loss of $873,245 for the year ended December 31, 2023 (2022 - $2,348,035) and has an accumulated deficit of $20,628,325 at December 31, 2023 (2022 - 19,753,378).

These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

(Expressed in Canadian dollars)

The Company's continuing operations and its ability to meet mineral property and other commitments are dependent upon the ability of the Company to continue to raise additional equity or debt financing and to seek joint venture partners. Although the Company has been successful at raising capital in the past, there is no assurance that the Company will be able to raise adequate financing on terms that are acceptable to the Company, if at all. Based on its current plans, budgeted expenditures, and cash requirements, management believes the Company would need to raise additional capital to accomplish its business objectives thereafter.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates and exercise judgement in applying the Company's policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 2 II.

c) **Basis of consolidation**

These consolidated financial statements combine the results and financial position of the Company and its subsidiaries, after the elimination of all material intercompany balances and transactions, from the date that control commenced. The Company's wholly owned subsidiaries is as follows:

| | | | Equity Interest | |
|---|---|---|---|---|
| **Subsidiaries** | **Jurisdiction** | **Nature of Operation** | **December 31, 2023** | **December 31, 2022** |
| Pucara Resources Corp. | Canada | Holding company | 100% | 100% |
| Pucara Resources S.A.C. | Peru | Mineral exploration | 100% | 100% |

d) **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, term deposits and other short-term highly liquid investments with the original term to maturity of three months or less. As at December 31, 2023, and December 31, 2022, the Company did not hold any cash equivalents.

e) **Foreign currency translation and transactions**

The functional currency of the Company and its subsidiaries is determined based on the currency of the primary economic environment in which it operates. The functional currency of the Company's Peruvian subsidiary is the Peruvian nuevo sol. The functional currency of the parent and the Canadian subsidiary is the Canadian dollar, which is the same as the presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transactions. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

The financial position of the subsidiary, whose functional currency is different from the reporting currency, are translated as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial period end;
- income and expenses are translated at average exchange rates for the period, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions;
- equity transactions are translated using the exchange rate at the date of the transactions; and
- all resulting exchange differences are recognized in other comprehensive income and reported as a separate component of equity.

f) **Equipment**

Equipment are carried at cost less accumulated amortization and any accumulated impairment charges. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods and any changes arising from the assessment are applied by the Company prospectively.

Amortization of each asset is calculated on a straight-line basis and allocated over the estimated useful life of the asset.

Useful lives are as follows:

| Asset | Estimated Useful Life |
|---|---|
| Vehicles | 5 years |
| Field equipment | 7 years |
| Furniture, computer, and other equipment | 4-10 years |

g) **Exploration and evaluation assets and expenditures**

Acquisition costs for exploration and evaluation assets, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and value of common shares, based on recent issue prices, issued for exploration and evaluation assets pursuant to the terms of the agreement, as well as annual maintenance costs for the concessions. Exploration expenditures, net of recoveries, are recorded in the consolidated statements of loss and comprehensive loss as incurred.

After an exploration and evaluation asset is determined by management to be commercially viable and technically feasible, exploration and evaluation expenditures on the property will first be assessed for impairment before being capitalized.

When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

h) **Leases**

Leases are recognized as a right-to-use asset with a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives receivable.
- Variable lease payments that are based on an index or rate.
- Amounts expected to be payable by the lessee under residual value guarantees.
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option.
- Payments for penalties for terminating the lease.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs.
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less. Low value assets comprise office equipment.

i) **Financial instruments**

*(i) Classification*

Financial assets are classified at initial recognition as either: measured at amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Fair value through profit or loss ("FVTPL") – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit and loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise.

Fair value through other comprehensive income ("FVTOCI") - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - a financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

The Company classifies its financial instruments as follows:

| Financial Instrument | Classification |
|---|---|
| Cash | Amortized cost |
| Receivables | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |

*(ii) Measurement*
Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

*(iii) Impairment*
The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

j) **Impairment of Non-Current Assets**
The carrying amount of the Company’s non-current assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statements of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset’s fair value less cost to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. A reversal of an impairment loss is recognized immediately in the statements of loss and comprehensive loss.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

k) **Income taxes**

Income tax expense is comprised of current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, adjusted for amendments to tax payable with respect of previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

l) **Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares or share options are shown in equity as a deduction, net of tax, from the proceeds.

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded in reserves.

m) **(Loss) Earnings per share**

Basic (loss) earnings per share are computed by dividing the net (loss) earnings by the weighted average number of common shares outstanding during the period, which excludes contingently returnable shares.

Diluted earnings per share is computed by dividing the earnings applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted. In periods that the Company reports a net loss, stock options are excluded from the calculation of diluted loss per share as their inclusion would be anti-dilutive. For the years presented, this calculation proved to be anti-dilutive.

n) **Share-based payments**

The Company adopted an incentive stock option plan (the "Plan") in 2023, under which the Company's Board of Directors are authorized to grant options to directors, officers, employees, and consultants.

The options can be granted for a maximum term of ten years. Unless otherwise specified by the board at the time of granting an option, all options granted under the plan shall vest and become exercisable in full upon grant, except options granted to consultants performing investor relations activities, which options must vest in stages over twelve months with no more than one-quarter of the options vesting in any three-month period.

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period the options vest. The terms and conditions of the options granted are accounted for in the Black-Scholes option pricing model that is used to measure the fair value of the options granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. Options granted to non-employees are measured at the fair value of goods or services received or at the fair value of the equity instruments issued if it is determined the fair value of the goods or services received cannot be reliably measured.

The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where stock options are exercised, the cash proceeds along with the amount previously recorded as share-based payment reserves are recorded as share capital. Where stock options expire unexercised, amounts previously recorded as share-based payment reserves remain as such.

## II) Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses and certain disclosures reported in these consolidated financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions are recognized in the period in which the estimates are revised and in future periods affected.
Areas where critical accounting estimates and assumptions have the most significant effect on the amounts recognized in these consolidated financial statements include the following:

a) **Impairment of exploration and evaluation assets**
Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial resources. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful, and some assets are likely to become impaired in future periods.

The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

Management has several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic, geochemical, and geophysical information, environmental issues, economic assessment studies, surface ownership, community issues and social licenses.

b) **Recovery of deferred tax assets**
The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its deferred tax assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

c) **Share-based payments**
The fair value of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Areas requiring critical judgment include going concern assumption (see note 2. I) b)) and determination of functional currency (see note 2. I) e)).

### III) Recent accounting pronouncements

The Company's management have reviewed recent accounting standards and amendments to standards and interpretations that have been issued and have determined that there are none that materially affect the Company's consolidated financial statements.

International Accounting Standard ("IAS") 1 and IFRS Practice Statement ("PS") 2: In February 2021, the International Accounting Standards Board ("IASB") issued amendments to IAS 1 and the IFRS PS 2, Making Materiality Judgements, to provide guidance on the application of materiality judgments to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies. Guidance and illustrative examples are added in the PS to assist in the application of materiality concept when making judgments about accounting policy disclosures. The standard was adopted by the Company on January 1, 2023.

In October 2022, the IASB issued Non-Current Liabilities with Covenants, which amended IAS 1 to clarify that if the Company's right to defer settlement of a liability for at least 12 months is subject to the Company complying with covenants after the reporting period, those covenants would not affect whether the Company's right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. The amendments also increased the disclosure requirement relating to such covenants to include: (i) the nature of the covenants and the date by which the Company must comply with the covenants; (ii) whether the Company would comply with the covenants based on its circumstances at the reporting date; and (iii) whether and how the Company expects to comply with the covenants by the date on which they are contractually required to be tested. The above amendments are effective for the Company's annual reporting periods beginning on or after January 1, 2024. The Company does not currently expect the adoption of this standard to have a material impact on the Company's reporting.

## 3. Exploration and Evaluation Assets

During the year ended December 31, 2023, the Company and its partners: Lowell Copper S.A.C. ("Lowell)") and IAMGOLD Peru S.A. ("IAMGOLD"), continued exploration on its projects and generative exploration on new projects.

**Pacaska Project, Ayacucho, Peru**
The project consists of various mineral concessions acquired by staking and is subject to NSR royalties totaling 1.5%.

**Capricho Project, Cuzco, Peru**
On January 14, 2013, the Company acquired the Capricho project and is subject to NSR royalties totaling 2%.

On May 4, 2018, the Company entered into an Option Agreement with Lowell, granting exclusive rights to earn-in up to 75% of the project. On the first option, Lowell can earn-in 51% in the project ("First Interest") within three years by paying US$15,000 (received) and, starting on the date which all permits and community approvals for drilling are obtained, by:

- making qualified expenditures of US$1,000,000 during year 1,
- making qualified expenditures of US$1,500,000 during year 2, and
- making qualified expenditures of US$2,500,000 during year 3.

On the second option, Lowell can earn-in an additional 24% in the project by:

- making qualified expenditures of US$14,500,000 prior to the fourth anniversary of acquiring the First Interest,
- delivering a Pre-Feasibility Study on the project, solely funded by Lowell, and
- paying the Company US$500,000.

Drilling permits or community approvals have not been obtained as of December 31, 2023.

**Other**

a) **Lourdes Project, Ayacucho, Peru**

The project consists of various mineral concessions acquired in 2013 and is subject to Net Smelter Royalties ("NSR") totaling 2.5%. During the year ended December 31, 2022, the Company recorded an impairment of $127,977 and reduced the balance to $Nil. The Company has abandoned this project in June 2023.

b) **Keyla Project, Ayacucho, Peru**

During 2019, the Company acquired the Keyla project through staking. The mineral concessions are subject to 0.5% NSR royalty. During the year ended December 31, 2022, the Company recorded an impairment of $30,938 and reduced the balance to $Nil. The Company has abandoned this project in June 2023.

c) **Paco Orco Project, Ayacucho, Peru**

The Paco Orco property was acquired through staking and is subject to a 1% NSR royalty.

On May 17, 2018, the Company entered into an Option Agreement with Lowell, granting exclusive rights to acquire up to 75% of the Paco Orco project. On the first option, Lowell can earn-in 51% in the project ("First Interest") within three years by paying US$15,000 (received) and, starting on the date which all permits and community approval for drilling are obtained, by:

- making qualified expenditures of US$1,000,000 during year 1,
- making qualified expenditures of US$1,250,000 during year 2, and
- making qualified expenditures of US$1,750,000 during year 3.

On the second option, Lowell can earn-in an additional 24% in the project by:

- making qualified expenditures of US$11,500,000 prior to the fourth anniversary of acquiring the First Interest,
- deliver a Pre-Feasibility Study on the project, solely funded by Lowell, and
- paying the Company US$500,000.

Drilling permits or community approvals have not been obtained as of December 31, 2023.

d) **Pucapaca Project, Ayacucho, Peru**

The Pucapaca property was acquired through staking and is subject to NSR royalties totalling 1.5%. During the year ended December 31, 2022, the Company recorded an impairment of $25,388 and reduced the balance to $Nil. The Company has abandoned this project in June 2023.

e) **Santo Tomas Project, Ayacucho, Peru**

On January 14, 2013, the Company acquired the Santo Tomas project, and the project was subject to NSR royalties totaling 2%.

On February 5, 2018, the Company entered into an Option Agreement with IAMGOLD, granting the right to earn-in up to 70% of the project. On the first option, IAMGOLD can earn-in 60% starting on the date all permits for drilling are obtained, by:

- making staged payments totaling US$500,000 (US$350,000 received);
- making qualified expenditures of US$4,000,000 over 4 years, and
- drilling 2,000 meters.

(Expressed in Canadian dollars)

As at December 31, 2023, the Company had received total payments of US$350,000, and does not expect the remaining payment of $150,000 to be made, due to termination of options agreements.

On the second option, IAMGOLD could earn-in an additional 10% within two years by:

- producing a 43-101 compliant resource estimate in all categories of at least 1 million ounces of gold or gold equivalent, and
- paying the Company US$2 per ounce of gold or gold equivalent for total of measured, indicated, and inferred resources.

During the year ended December 31, 2022, the Company also recorded an impairment of $21,525 for the annual maintenance costs for other projects that had been capitalized in the previous years.

Subsequent to December 31, 2023, IAMGOLD has terminated both option agreements with the Company for the Santo Tomas project in Peru.

Capitalized expenditures relating to the projects in Peru are summarized as follows:

| | | **Pacaska** | | **Capricho** | | **Other [1]** | | **Total** |
|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2021 | $ | 133,703 | $ | 2,188 | $ | 121,546 | $ | 257,437 |
| Mineral license fees | | 33,579 | | - | | 70,279 | | 103,858 |
| Impairment of exploration and evaluation assets | | - | | - | | (205,828) | | (205,828) |
| Foreign exchange movement | | 16,311 | | 263 | | 14,003 | | 30,577 |
| Balance, December 31, 2022 | $ | 183,593 | $ | 2,451 | $ | - | $ | 186,044 |
| Mineral license fees | | 29,663 | | - | | - | | 29,663 |
| Foreign exchange movement | | 619 | | 9 | | - | | 628 |
| Balance, December 31, 2023 | $ | 213,875 | $ | 2,460 | $ | - | $ | 216,335 |

(1) Other projects have fully impaired as at December 31, 2022 and 2023.

Details of the exploration and evaluation expenses, which were expensed as incurred were as follows:

| | | **For the year ended December 31, 2023** | | For the year ended December 31, 2022 |
|---|---|---|---|---|
| Administrative | **$** | **8,199** | $ | - |
| Assays | | **-** | | 5,306 |
| Community programs | | **24,696** | | 80,746 |
| Depreciation | | **12,092** | | 28,855 |
| Equipment maintenance | | **2,790** | | 25,241 |
| Geological | | **24,132** | | 358,325 |
| Travel | | **10,080** | | 83,779 |
| Total expenditures | **$** | **81,989** | $ | 582,252 |

(Expressed in Canadian dollars)

## 4. Equipment

Equipment is comprised of the following:

| **Cost** | Vehicles | Furniture, computer, other equipment | Total |
|---|---|---|---|
| Balance, December 31, 2021 | $ 106,704 | $ 63,449 | $ 170,153 |
| Additions | - | 661 | 661 |
| Disposals | - | (2,284) | (2,284) |
| Foreign exchange movement | 12,801 | 6,214 | 19,015 |
| Balance, December 31, 2022 | $ 119,505 | $ 68,040 | $ 187,545 |
| Disposals | (76,650) | (33,931) | (110,581) |
| Foreign exchange movement | (104) | (29) | (133) |
| Balance, December 31, 2023 | $ 42,751 | $ 34,080 | $ 76,831 |
| **Accumulated depreciation** | | | |
| Balance, December 31, 2021 | $ (59,931) | $ (32,638) | $ (92,569) |
| Disposals | - | 724 | 724 |
| Depreciation for the year | (22,685) | (8,242) | (30,927) |
| Foreign exchange movement | (8,280) | (3,561) | (11,841) |
| Balance, December 31, 2022 | $ (90,896) | $ (43,717) | $ (134,613) |
| Disposals | 72,975 | 25,768 | 98,743 |
| Depreciation for the year | (9,446) | (4,573) | (14,019) |
| Foreign exchange movement | 293 | 105 | 398 |
| Balance, December 31, 2023 | $ (27,074) | $ (22,417) | $ (49,491) |
| **Net book value** | | | |
| As at December 31, 2022 | $ 28,609 | $ 24,323 | $ 52,932 |
| As at December 31, 2023 | $ 15,677 | $ 11,663 | $ 27,340 |

During the year ended December 31, 2023, depreciation of $1,927 (2022 - $2,071) is recorded within office expenditures and $12,092 (2022 - $28,856) is recorded within exploration expenditures.

During the year ended December 31, 2023, the Company sold equipment for the proceeds of $42,616, and recorded $30,778 gain on disposal of these assets.

## 5. Leases

The Company entered into a lease for another office space in Peru in December 2021. For the purpose of the addition of the right of use asset and lease liability, the Company used the commitment amount of $23,249 (US$18,200) as at December 31, 2022, and discounted this amount to $22,046 (US$17,258) by using a discount rate of 10.75%, the Company's incremental borrowing rate. The Company also had short term leases that were not recognized under IFRS 16 and were expensed as incurred for a total of $19,572 during the year ended December 31, 2023 (2022 - $4,881) and is included in office and miscellaneous on the statement of loss and comprehensive loss.

(Expressed in Canadian dollars)

A continuity of the Company's lease liability is as follows:

| | |
|---|---|
| Balance, December 31, 2021 | $ 20,210 |
| Payments | (23,258) |
| Accretion | 1,205 |
| Impact of foreign exchange | 1,843 |
| Balance, December 31, 2022, and December 31, 2023 | $ - |
| Current portion | - |

A continuity of the Company's right of use asset is as follows:

| | |
|---|---|
| Balance, December 31, 2021 | $ 20,127 |
| Amortization | (20,574) |
| Impact of foreign exchange | 447 |
| Balance, December 31, 2022, and December 31, 2023 | $ - |

## 6. Share Capital

**Authorized and issued shares**
The Company is authorized to issue an unlimited number of common shares without par value. As at December 31, 2023 and 2022, the Company had 76,591,960 common shares outstanding of which Nil common shares (December 31, 2022 - 1,797,073) were held in escrow.

There were no shares issued during the year ended December 31, 2023.

On December 2, 2022, the Company issued 14,000,000 units at $0.05 per unit for total proceeds of $700,000. Each unit comprises of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase one common share at a price of $0.08 per share at any time within five years of the date of issuance.

**Share purchase warrants**
The continuity of share purchase warrants is as follows:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| Balance, December 31, 2021 | 6,002,460 | $ 0.60 |
| Issued | 14,000,000 | 0.08 |
| Expired | (6,002,460) | 0.60 |
| Balance, December 31, 2022, and December 31, 2023 | 14,000,000 | 0.08 |

The remaining contractual life of the outstanding share purchase warrants at December 31, 2023 was 3.92 years (December 31, 2022 – 4.92 years).

(Expressed in Canadian dollars)

**Stock options**

The Company currently has a 10% Rolling Stock Option Plan which was last approved by the shareholders of the Company on December 19, 2023. The number of common shares which may be issued pursuant to options previously granted and those granted under the Plan is a maximum of 10% of the issued and outstanding common shares at the time of the grant. The terms and vesting periods are determined by the Board of Directors. The options can be granted for a maximum term of ten years and the exercise price may not be less than the market price prevailing on the date of the grant. Unless otherwise specified by the board at the time of granting an option, all options granted under the plan shall vest and become exercisable in full upon grant, except options granted to consultants performing investor relations activities, which options must vest in stages over twelve months with no more than one-quarter of the options vesting in any three-month period.

*2023*

During the year ended December 31, 2023, no stock options were granted and a total of 287,500 stock options expired without being exercised.

*2022*

The Company granted an additional 2,100,000 stock options to certain directors and employees of the Company at an exercise price of $0.11 per stock option. Each of the stock options can be exchanged for a common share of the Company and is exercisable for a period of five years from the grant date. The company also modified the expiry date of 200,000 previously granted stock options to a director of the Company and as a result recorded additional $7,385 as share-based compensation expense.

The fair value of the granted and modified stock options during the year ended December 31, 2022, has been calculated using Black-Scholes options pricing model and includes the following assumptions:

| | 2022 |
|---|---|
| Expected dividend yield | 0.00% |
| Expected stock price volatility | 100.08% |
| Risk-free interest rate | 1.62% |
| Expected life of options | 4.70 years |
| Grant date fair value | $0.11 |

The continuity of stock options is as follows:

| | Number of options | Weighted average exercise price |
|---|---|---|
| Balance, December 31, 2021 | 4,577,500 | $ 0.40 |
| Granted | 2,100,000 | 0.11 |
| Cancelled | (1,515,000) | 0.40 |
| Balance, December 31, 2022 | 5,162,500 | 0.28 |
| Expired | (287,500) | 0.37 |
| Balance, December 31, 2023 | 4,875,000 | $ 0.28 |

(Expressed in Canadian dollars)

The Company's granted and exercisable options are as follows:

| | | | December 31, 2023 | | |
|---|---|---|---|---|---|
| Date Granted | Expiry date | Remaining contractual life (years) | Exercise price | Options outstanding | Options exercisable |
| January 30, 2019 | January 30, 2024 | 0.08 | $ 0.40 | 1,225,000 | 1,225,000 |
| August 14, 2020 | August 14, 2025 | 1.62 | $ 0.40 | 1,550,000 | 1,550,000 |
| February 28, 2022 | February 28, 2027 | 3.16 | $ 0.11 | 2,100,000 | 2,100,000 |
| Total | | 1.90 | | 4,875,000 | 4,875,000 |

During the year ended December 31, 2023, the Company recorded stock-based compensation expense of $25,372 (2022 - $161,220) which has been recorded to general and administration expense.

Subsequent to December 31, 2023, 1,225,000 stock options expired unexercised.

## 7. Related Party Transactions

a) **Transactions**
The Company's related parties consist of entities where the executive officers, vice presidents and directors of the Company are principles. Their position in these entities results in their having control or significant influence over the financial or operating policies of these entities.

b) **Key Management Compensation**
Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. Key management personnel are the Company's executive management team, vice presidents and members of the Board of Directors.

**Management Fees**
On September 1, 2017, Pucara Resources entered into a consulting agreement with its former CEO, amended October 28, 2020, for annual management fee of USD $214,500 through Sumaq Exploration Corp ("Sumaq"). During the year ended December 31, 2022, the Company terminated the contract with Sumaq and as a result paid $273,488 in a lump sum payment as part of the termination.

During the year ended December 31, 2023, the Company incurred $Nil (2022 - $334,453) to Sumaq. As at December 31, 2023, $Nil (2022 - $Nil) was owing to Sumaq.

In April 2022 the Company appointed a new CEO for an annual salary of $50,000. During the year ended December 31, 2023, the Company incurred $50,000 (2022 - $38,000) respectively as salary for the new CEO.

In April 2022 the Company appointed the Vice President - Exploration for an annual salary of $50,000. During the year ended December 31, 2023, the Company terminated the contract with the Vice President - Exploration. During the year ended December 31, 2023, the Company incurred $31,250 (2022 - $38,000) as salary for the Vice President - Exploration.

In April 2022 the Company appointed the Vice President - Corporate Development for an annual salary of $50,000. During the year ended December 31, 2023, the Company terminated the contract with the Vice President - Corporate Development. During the year ended December 31, 2023, the Company incurred $31,250 (2022 - $38,000) as salary for the Vice President - Corporate Development.

(Expressed in Canadian dollars)

**Avisar Everyday Solutions Ltd.**

Avisar Everyday Solutions Ltd. ("Avisar") (a company where the CFO of the Company effective August 1, 2020, is a founder) provides bookkeeping, treasury, and financial reporting services to the Company. During the year ended December 31, 2023, the Company incurred $62,000 (2022 - $72,000) of fees to Avisar. As at December 31, 2023, $4,200 (December 31, 2022 - $6,300) was owing to Avisar.

**Gordon J. Fretwell Law Corporation**

Gordon J. Fretwell Law Corp., an entity where a director of the Company is a principal, provides legal services to the Company. During the year ended December 31, 2023, the Company incurred $15,000 (2022 - $10,627) of fees to Gordon J. Fretwell Law Corp.

**Share-based compensation**

Key management personnel compensation comprised share-based compensation related to the fair value of the stock options granted to this key management personnel and its recognition in these consolidated financial statements on a graded vesting basis. During the year ended December 31, 2023, share-based compensation for the key management personnel amounted to $25,372 (2022 - $161,220).

## 8. Income Taxes

A reconciliation of income taxes at statutory rates with reported taxes is as follows for the years ended December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Net loss for the year before income taxes | $ (874,947) | $ (2,388,951) |
| Statutory income tax rate | 27.00% | 27.00% |
| Income tax benefit computed at statutory tax rate | (236,000) | (645,000) |
| Items not deductible for income tax purposes | 7,000 | 44,000 |
| Difference in tax rates in other jurisdictions | (13,000) | (37,000) |
| Foreign exchange movement and other | 1,404,000 | (90,000) |
| Change in unrecognized benefit of deferred income tax assets | (1,162,000) | 728,000 |
| Deferred income tax expense | $ - | $ - |

The significant components of the Company's deferred income tax assets and deferred income tax liabilities at December 31, 2023 and 2022 are presented below:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Non-capital losses carried forward | $ 2,490,000 | $ 2,303,000 |
| Exploration and evaluation assets | 575,000 | 1,924,000 |
| Capital assets and other | 14,000 | 14,000 |
| | 3,079,000 | 4,241,000 |
| Unrecognized deferred income tax assets | (3,079,000) | (4,241,000) |
| Net deferred income tax assets | $ - | $ - |

(Expressed in Canadian dollars)

The Company has non-capital losses of $5,074,000 (December 31, 2022 - $5,197,000) available for carry-forward to reduce future years' income for Canadian income tax purposes. These losses expire as follows:

| | Canada |
|---|---|
| 2033 | $ 90,000 |
| 2034 | 213,000 |
| 2035 | 193,000 |
| 2036 | 262,000 |
| 2037 | 18,000 |
| 2038 | 525,000 |
| 2039 | 462,000 |
| 2040 | 1,409,000 |
| 2041 | 904,000 |
| 2042 | 665,000 |
| 2043 | 333,000 |
| | $ 5,074,000 |

The Company also has certain tax losses in Peru which can be carried forward indefinitely but are limited to 50% of taxable income each subsequent year.

## 9. Segmented Information

The Company operates in one reportable operating segment, being the acquisition, exploration and evaluation of exploration and evaluation assets. Non-current assets by country are as follows:

| | **December 31, 2023** | | | **December 31, 2022** | | |
|---|---|---|---|---|---|---|
| | Canada | Peru | Total | Canada | Peru | Total |
| Exploration and evaluation assets | $ - | $ 216,335 | $ 216,335 | $ - | $ 186,044 | $ 186,044 |
| Equipment | $ 811 | $ 26,529 | $ 27,340 | $ 2,738 | $ 50,194 | $ 52,932 |

## 10. Financial Instruments, Capital Management and Risk Management

### I) Financial Instruments

The Company's financial instruments include cash, receivables, accounts payable and accrued liabilities, and convertible note.

**Determination of Fair Value**
The carrying value of cash, receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

(Expressed in Canadian dollars)

**Fair Value Hierarchy**
Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## II) Capital Management

The Company's capital management objectives are to safeguard its ability to continue as a going concern and to seek new investment opportunities for the benefit of its shareholders. The Company includes equity in the definition of capital.

The Company sets the amount of capital required in proportion to its operating requirements and perceived risk of loss. The Company manages the capital structure and adjusts according to changes in economic conditions and the risk characteristics of the underlying assets. The Company has historically relied on the equity markets to fund its activities and is open to new sources of financing to manage its expenditures in the interest of sustaining long-term viability. The Company's capital management objectives, policies and processes have not changed over the years presented.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any externally imposed capital requirements.

## III) Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

a) **Credit Risk**
Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and receivables. The Company's credit exposure is limited to the carrying amount of these financial assets.

The Company's cash is held by high-credit-rated financial institutions and, as such, the Company does not believe there to be a significant credit risk. The Company's concentration of credit risk and maximum exposure is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash at Canadian financial institutions | $ 536,873 | $ 1,389,400 |
| Cash at Peruvian financial institutions | 8,895 | 37,928 |
| Total | $ 545,768 | $ 1,427,328 |

b) **Market Risk**
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

(i) *Foreign currency risk*
Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operations and financial results. The Company operates in Canada and Peru. The Company funds the subsidiary in US dollars and a portion of its expenditures are incurred in Peruvian nuevo soles. The risk is that there could be a significant change in the exchange rate of the Canadian dollar relative to the US dollar and the Peruvian nuevo sol. At December 31, 2023, the Peruvian nuevo sol was translated to the Canadian dollar at 2.8019 (2022 – 2.8114) and the US dollar was translated to the Canadian dollar at 1.3226 (2022 – 1.3544). A significant change in these exchange rates could have an adverse effect on the Company's results of operations, financial position, or cash flows. The Company has not hedged its exposure to currency fluctuations.

As at December 31, 2023, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Peruvian nuevo soles:

| | US dollars | Peruvian nuevo soles | Total |
|---|---|---|---|
| Cash and cash equivalents | $ 56,918 | S/. 24,922 | |
| Receivables | - | 117,496 | |
| Accounts payable and accrued liabilities | - | (163,935) | |
| Net exposure | $ 56,918 | S/. (21,517) | |
| Canadian dollar equivalent | $ 75,280 | $ (7,679) | $ 67,601 |

Based on the above net exposures as at December 31, 2023, and assuming all other variables remain, constant, a 10% change in the value of the Canadian dollar against the above foreign currencies would result in an increase/decrease of approximately $6,760 (2022 - $11,355).

(ii) *Interest rate risk*
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Its interest rate risk is limited to potential decreases on the interest rate offered for cash held with chartered Canadian financial institutions. The Company considers the risk to be immaterial.

(iii) *Commodity price risk*
Commodity risk is the exposure to fluctuations in the market price of commodities. The Company does not have any commodity exposure.

(iv) *Equity price risk*
Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company does not have any equity investments.

c) **Liquidity Risk**
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can only do so at excessive cost. The key success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company's policy is to ensure that it will have sufficient cash to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.