

# **PERUVIAN METALS CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**THREE MONTHS ENDED JUNE 30, 2024**

**(Unaudited)**

**(Expressed in Canadian dollars)**

### **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**PERUVIAN METALS CORP.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED JUNE 30, 2024**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

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PERUVIAN METALS CORP.  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited– Prepared by Management)  
(Expressed in Canadian dollars)  
AS AT

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	June 30, 2024 \$	March 31, 2024 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	114,013	107,199
Prepaid expenses and advances	30,248	42,760
Amounts receivable	188,439	185,086
Note receivable (Note 20)	-	108,400
Sales tax receivable	7,347	13,498
Inventory (Note 6)	18,233	15,079
Investments (Note 5)	-	22,793
<b>TOTAL CURRENT ASSETS</b>	<b>358,280</b>	<b>494,815</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b> (Note 9)	<b>1,303,747</b>	<b>1,336,068</b>
<b>INVESTMENT IN SAN MAURIZO MINES INC.</b> (Note 5)	<b>436,567</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>2,098,594</b>	<b>1,830,883</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	394,687	439,340
Due to related parties (Note 8)	44,275	66,096
<b>TOTAL CURRENT LIABILITIES</b>	<b>438,962</b>	<b>505,436</b>
<b>ASSET RETIREMENT AND RECLAMATION OBLIGATIONS</b> (Note 10)	<b>241,378</b>	<b>238,430</b>
<b>TOTAL LIABILITIES</b>	<b>680,340</b>	<b>743,866</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b> (Note 11(a))	<b>53,919,323</b>	<b>53,472,540</b>
<b>WARRANT RESERVE</b> (Note 11(b))	<b>-</b>	<b>-</b>
<b>SHARE-BASED PAYMENT RESERVE</b> (Note 12)	<b>273,750</b>	<b>273,750</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	<b>248,084</b>	<b>115,036</b>
<b>ACCUMULATED DEFICIT</b>	<b>(53,208,155)</b>	<b>(52,928,398)</b>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>	<b>1,233,002</b>	<b>932,928</b>
<b>EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTEREST</b>	<b>185,252</b>	<b>154,089</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,418,254</b>	<b>1,087,017</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,098,594</b>	<b>1,830,883</b>

GOING CONCERN (Note 2)

COMMITMENTS AND CONTINGENCIES (Note 18)

APPROVED ON BEHALF OF THE BOARD:

Signed "Dan Hamilton", Director

Signed "Jeffrey Reeder", Director

*See accompanying notes to the condensed consolidated interim financial statements*

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND  
COMPREHENSIVE INCOME (LOSS)**

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JUNE 30, 2024

	Three Months Ended June 30,	
	2024	2023
	\$	\$
<b>MINERAL PROCESSING REVENUE</b>	<b>702,758</b>	610,022
<b>PLANT OPERATING COSTS</b> (Note 15)	<b>(486,977)</b>	(414,114)
<b>INCOME FROM PROCESSING PLANT OPERATIONS</b>	<b>215,781</b>	<b>195,908</b>
General and administrative (Note 15)	<b>(100,232)</b>	(95,225)
Exploration and evaluation expenditures	<b>(208,762)</b>	(98,952)
<b>INCOME (LOSS) BEFORE THE FOLLOWING:</b>	<b>(93,213)</b>	1,731
Interest income	<b>502</b>	142
Loss on disposal of property, plant and equipment (Note 9)	-	(14,415)
Accretion expense (Note 10)	<b>(2,948)</b>	(2,948)
Depreciation	<b>(5,991)</b>	(5,198)
Unrealized gain on investments (Note 5)	<b>205,133</b>	176,224
Foreign currency translation loss	<b>(129,130)</b>	(83,627)
Realized loss on sale of investments (Note 5)	<b>(206,789)</b>	-
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>(232,436)</b>	71,909
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Item that may be reclassified subsequently to profit and loss:		
Foreign translation differences for foreign operations - parent	<b>133,048</b>	-
Foreign translation differences for foreign operations - non-controlling interest	<b>33,262</b>	-
<b>COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>(66,126)</b>	<b>71,909</b>
<b>ATTRIBUTABLE TO:</b>		
Non-controlling interest	<b>47,321</b>	53,910
Shareholders of the Parent	<b>(279,757)</b>	17,999
	<b>(232,436)</b>	71,909
<b>Income (loss) per share - basic and diluted (Note 13)</b>	<b><u>(0.003)</u></b>	<b><u>0.000</u></b>
<b>Weighted average number of common shares</b>		
Outstanding - basic and diluted	<b>104,548,339</b>	99,742,521

*See accompanying notes to the condensed consolidated interim financial statements*

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JUNE 30, 2024

	Notes	Common Shares \$	Warrant Reserve \$	Share-based Payment Reserve \$	Accumulated Deficit \$	AOCI \$	Equity attributable to shareholders of the parent \$	Non- Controlling Interest \$	Total Shareholders' Equity \$
<b>Balance, December 31, 2022</b>		<b>53,373,066</b>	<b>23,340</b>	<b>298,541</b>	<b>(52,737,943)</b>	-	<b>957,004</b>	<b>296,127</b>	<b>1,253,131</b>
Shares issued for cash - exercise of options	11,12	68,541	-	(28,541)	-	-	40,000	-	40,000
Shares issued for cash - exercise of warrants	11	31,240	(2,840)	-	-	-	28,400	-	28,400
Share issuance costs	11	(307)	-	-	-	-	(307)	-	(307)
Warrants expired		-	(20,500)	-	20,500	-	-	-	-
Net loss		-	-	-	25,614	-	25,614	117,205	142,819
<b>Balance, June 30, 2023</b>		<b>53,472,540</b>	<b>-</b>	<b>270,000</b>	<b>(52,691,829)</b>	<b>-</b>	<b>1,050,711</b>	<b>413,332</b>	<b>1,464,043</b>
Options expired		-	-	(15,000)	15,000	-	-	-	-
Share based payments		-	-	18,750	-	-	18,750	-	18,750
Unrealized gain on translation of foreign operations		-	-	-	-	115,036	115,036	28,759	143,795
Dividends paid		-	-	-	-	-	-	(440,725)	(440,725)
Net (loss) income		-	-	-	(251,569)	-	(251,569)	152,723	(98,846)
<b>Balance, March 31, 2024</b>		<b>53,472,540</b>	<b>-</b>	<b>273,750</b>	<b>(52,928,398)</b>	<b>115,036</b>	<b>932,928</b>	<b>154,089</b>	<b>1,087,017</b>
Shares issued for cash - private placements	10,11	275,050	-	-	-	-	275,050	-	275,050
Shares issued for investment		175,000	-	-	-	-	175,000	-	175,000
Share issuance costs	10	(3,267)	-	-	-	-	(3,267)	-	(3,267)
Unrealized gain on translation of foreign operations		-	-	-	-	133,048	133,048	33,262	166,310
Dividends paid		-	-	-	-	-	-	(49,420)	(49,420)
Net (loss) income		-	-	-	(279,757)	-	(279,757)	47,321	(232,436)
<b>Balance, June 30, 2024</b>		<b>53,919,323</b>	<b>-</b>	<b>273,750</b>	<b>(53,208,155)</b>	<b>248,084</b>	<b>1,233,002</b>	<b>185,252</b>	<b>1,418,254</b>

See accompanying notes to the condensed consolidated interim financial statements

PERUVIAN METALS CORP.  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)  
FOR THE THREE MONTHS ENDED JUNE 30, 2024

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	Fifteen months ended March 31, 2024 \$	Twelve months ended December 31, 2022 \$
<b>CASH FLOWS PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	44,092	(100,630)
Items not requiring cash:		
Share based payments	18,750	-
Depreciation	205,071	235,074
Accretion expense	14,740	10,652
Realized loss on sale of investments	117,069	221,790
Unrealized (gain) loss on investments (Note 5)	(133,405)	162,878
Foreign currency translation (gain) loss	(128,439)	202,225
Loss on disposal of property, plant and equipment (Note 9)	13,841	-
Gain on sale of mineral concessions (Note 7)	-	(673,916)
Changes in non-cash operating working capital:		
Prepaid expenses and advances	(5,905)	(28,763)
Amounts receivable, notes receivable and sales tax receivable	24,496	(65,540)
Inventory	35,210	(24,955)
Accounts payable and accrued liabilities	(102,219)	(142,690)
Due to related parties	(74,527)	(10,430)
Cash flows provided by (used in) operating activities	<u>28,774</u>	<u>(214,305)</u>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment (Note 9)	(87,197)	(37,982)
Proceeds on sale of investments	72,381	174,970
Proceeds on sale of mineral concessions (Note 7)	-	124,770
Cash flows from investing activities	<u>(14,816)</u>	<u>261,758</u>
<b>FINANCING ACTIVITIES</b>		
Share issue costs	(307)	(1,880)
Shares issued for cash - exercise of options	40,000	45,000
Shares issued for cash - exercise of warrants	28,400	3,800
Dividends paid	(440,725)	-
Cash flows from financing activities	<u>(372,632)</u>	<u>46,920</u>
Effect of exchange rates on cash	249,917	(202,225)
Decrease in cash	(108,757)	(107,852)
Cash, beginning of the period	215,956	323,808
Cash, end of the period	<u>107,199</u>	<u>215,956</u>

*See accompanying notes to the consolidated financial statements*

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

THREE MONTHS ENDED JUNE 30, 2024

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**1. GENERAL INFORMATION**

Peruvian Metals Corp. (“Peruvian Metals”, and with its subsidiaries, the “Company”) is a publicly listed company originally incorporated in British Columbia and subsequently continued federally under the Canada Business Corporations Act. Effective September 5, 2018 Peruvian Metals changed its name from Duran Ventures Inc. to Peruvian Metals Corp. Peruvian Metals’ common shares have been listed on the TSX Venture Exchange (“TSXVE”) since July 4, 2007, and trade under the symbol “PER”. The Company is engaged in mineral processing and the exploration and development of mineral properties in Peru. The Company’s principal office is located at 250 Southridge NW, Suite 300, Edmonton, AB, Canada T6H 4M9 and substantially all the Company’s corporate and administrative expenses are incurred in Canada.

**2. GOING CONCERN**

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining and milling operations. The recoverability of the carrying value of exploration and evaluation assets and property, plant and equipment and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company’s assets are subject to increases in taxes and royalties, renegotiation of contracts, expropriation, currency exchange fluctuations and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing registration or regulations, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory, social and environmental requirements.

These condensed consolidated interim financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

During the three months ended June 30, 2024, the Company realized a net loss of \$232,436 (2023 – gain of \$71,909), had a positive cash flow from operations of \$115,549 (2023 –\$100,683), and had a working capital deficit of \$80,682 (March 31, 2024 –\$10,621) and an accumulative deficit of \$53,208,155 (March 31, 2024 - \$52,928,398).

Management is aware, in making its assessment, of material uncertainties related to events or conditions that could cast significant doubt upon the Company’s ability to continue as a going concern. The Company’s continuance as a going concern is dependent upon its ability to obtain adequate financing or to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. If the going concern assumption is not appropriate, material adjustments to the consolidated financial statements may be required.

### **3. BASIS OF CONSOLIDATION**

These condensed consolidated interim financial statements include the accounts of Peruvian Metals and its wholly owned subsidiaries, Empresa Querco SAC (“Querco”) to April 21, 2022 (Note 7), Mamaniña Exploraciones SAC (“Mamaniña Exploraciones”), Hatum Minas SAC (“Hatun Minas”), Magellan Gold Peru SAC, and its 80% owned subsidiary companies Minera Aguila de Ora SAC (“Madosac”) and Insumos Y Minerales del Norte SRL (“Insumos”), all of which are incorporated in Peru. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases.

All inter-company balances and transactions have been eliminated. The condensed consolidated interim financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company after eliminating inter-entity balances and transactions.

For non-wholly owned, controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as “non-controlling interests” in the equity section of the condensed consolidated interim statements of financial position.

### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Statement of compliance**

These condensed consolidated interim financial statements of the Company were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company has consistently applied the accounting policies used in preparation of these condensed consolidated interim financial statements throughout all the periods presented. Significant accounting judgements and estimates used by management in the preparation of these condensed consolidated interim financial statements are presented in Note 5 of the Company’s consolidated financial statements as at and for the fifteen months ended March 31, 2024.

The policies applied in these consolidated financial statements are based on the IFRS issued and effective as of June 30, 2024. These consolidated financial statements were approved and authorized for issue by the Board of Directors on September 9, 2024.

#### **(b) Basis of preparation**

The consolidated financial statements are presented in Canadian dollars. The financial statements are prepared on the historical cost basis except for marketable securities 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.

## 5. INVESTMENTS

### Shares in International Metals Mining Corp. (“IMMC”)

As at March 31, 2024 the Company held 506,500 shares in International Metals Mining Corp. (“IMMC”), classified as financial assets at FVTPL, carried at a fair value, with unrealized gains/losses recognized in operations.

As at June 30, 2024 the Company has fully sold all its previously held shares in IMMC.

### Investment in San Maurizio Mines Inc. (“San Maurizio”)

On April 11, 2024, the Company signed a definitive agreement to acquire a 50% interest in San Maurizio, a private Manitoba-based company (the "Transaction"). Upon completion of the Transaction, San Maurizio will hold an exclusive 100% direct interest in the Mercedes gold-silver-lead-zinc-copper property ("Mercedes" or the "Property"), situated in central Peru via its wholly owned Peruvian subsidiary, Basic Minerals SAC ("Basic Minerals").

Peruvian Metals is set to acquire a 50% stake in San Maurizio by purchasing half of the outstanding shares currently owned by its sole shareholder, Hudson Heartland Ltd. ("Hudson"). The project is subject to a 20% Net Profit Interest ("NPI") which will be eliminated once US\$5 million has been paid to the NPI holder. Afterwards, a 1.5% Net Smelter Royalty ("NSR") will be paid to the NPI holder. San Maurizio retains the right to buyout the NSR for US\$1.5 million.

Peruvian Metals is set to acquire a 50% ownership stake in San Maurizio through the issuance of 2.5 million common shares to Hudson at a deemed issuance price of C\$0.07 per common share. The Transaction establishes Peruvian Metals and Hudson as the exclusive shareholders of San Maurizio. In addition, both entities have formalized their collaboration through comprehensive shareholders' and operating agreements, outlining their joint commitment to explore and develop the Property.

Up to the present date, the Company has contributed \$436,567 towards this collaborative venture.

## 6. INVENTORY

The Company's inventory at June 30, 2024 comprised of ore stockpiles of \$Nil (March 31, 2024 - \$Nil) and plant consumables \$18,233 (March 31, 2024 - \$15,079).

## 7. EXPLORATION AND EVALUATION PROPERTY INTERESTS

### Palta Dorado Property, Peru

During the fifteen months ended March 31, 2024, the Company announced its intention to purchase Rio Silver's 50% interest in the Palta Dorada gold-silver-copper property located in northern Peru, resulting in 100% ownership. To acquire Rio Silver's remaining 50% interest, Peruvian Metals will pay US\$250,000 over five months. Rio Silver will retain a 3% net smelter return which is capped at US\$2 million. Peruvian Metals must also ensure that the royalty will pay a minimum of US\$50,000 per year for a period of five years.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

THREE MONTHS ENDED JUNE 30, 2024

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**Panteria Project**

On April 21, 2022, the Company completed the sale of mineral concessions belonging to the Panteria Project (the “Mineral Concessions”) to IMMC. The total consideration for the sale of the Panteria Project was \$256,540 (\$200,000 US) cash and \$417,376 shares (9,275,000 shares) for aggregate proceeds of \$673,916 to be paid in two equal installments. In addition to the cash and shares, a 1% NSR has been granted to the Company.

As at June 30, 2024, the second cash payment of \$100,000 US is yet to be received, however is expected to be received in 2024 and is included in amounts receivable on the consolidated statement of financial position.

Additional bonus/milestone payments by IMMC include \$750,000 (not received) on or before the completion date of 10,000 metres of drilling on the Panteria Project, and additional \$750,000 (not received) on or before the completion date of 20,000 metres of drilling on the Panteria Project. At the sole election of IMMC, these payments can be made in cash or by the issuance of common shares of IMMC at their market value at the time of issuance, provided that such issuance is not to result in the Company holding 10% or more of the issued and outstanding shares of IMMC following such issuance.

**8. RELATED PARTY TRANSACTIONS**

Related parties include officers of the Company, the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including the directors of the Company. The remuneration of key management personnel of the Company for the three months ended June 30, 2024 and 2023 were as follows:

	Three months ended June 30, <b>2024</b> \$	Three months ended June 30, 2023 \$
Aggregate compensation	<b>58,500</b>	57,000

As at June 30, 2024, a balance of \$Nil (2023 - \$75,007) was due to certain officers and directors of the Company relating to unpaid compensation. Amounts payable are unsecured, non-interest bearing and due on demand.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

THREE MONTHS ENDED JUNE 30, 2024

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**9. PROPERTY, PLANT AND EQUIPMENT**

All of the Company's property, plant and equipment at June 30, 2024 and March 31, 2024, was located in Peru.

Cost	Office furniture and equipment	Computer equipment	Vehicles and field equipment	Plant	Total
	\$	\$	\$	\$	\$
<b>Balance at December 31, 2022</b>	<b>20,841</b>	<b>4,623</b>	<b>115,282</b>	<b>2,178,712</b>	<b>2,319,458</b>
Additions	754	-	6,024	80,419	87,197
Disposals	(728)	(966)	(21,914)	-	(23,608)
Foreign currency translation	-	-	-	32,018	32,018
<b>Balance at March 31, 2024</b>	<b>20,867</b>	<b>3,657</b>	<b>99,392</b>	<b>2,291,149</b>	<b>2,415,065</b>
Additions	390	-	1,377	17,394	19,161
Disposals	-	-	(7,637)	-	(7,637)
Foreign currency translation	-	-	-	(22,504)	(22,504)
<b>Balance at June 30, 2024</b>	<b>21,257</b>	<b>3,657</b>	<b>93,132</b>	<b>2,286,039</b>	<b>2,404,085</b>

Amortization and impairment	Office furniture and equipment	Computer equipment	Vehicles and field equipment	Plant	Total
	\$	\$	\$	\$	\$
<b>Balance at December 31, 2022</b>	<b>4,310</b>	<b>2,472</b>	<b>28,393</b>	<b>838,722</b>	<b>873,897</b>
Additions	2,045	1,067	23,515	178,444	205,071
Disposals	(728)	(965)	(8,074)	-	(9,767)
Foreign currency translation	-	-	-	9,796	9,796
<b>Balance at March 31, 2024</b>	<b>5,627</b>	<b>2,574</b>	<b>43,834</b>	<b>1,026,962</b>	<b>1,078,997</b>
Additions	1,276	229	4,486	32,653	38,644
Disposals	-	-	(7,636)	-	(7,636)
Foreign currency translation	-	-	-	(9,667)	(9,667)
<b>Balance at June 30, 2024</b>	<b>6,903</b>	<b>2,803</b>	<b>40,684</b>	<b>1,049,948</b>	<b>1,100,338</b>

Carrying amounts	Office furniture and equipment	Computer equipment	Field equipment	Plant	Total
	\$	\$	\$	\$	\$
At December 31, 2022	15,240	1,083	55,558	1,264,187	1,336,068
<b>At June 30, 2024</b>	<b>14,354</b>	<b>854</b>	<b>52,448</b>	<b>1,236,091</b>	<b>1,303,747</b>

**10. ASSET RETIREMENT AND RECLAMATION OBLIGATIONS**

The Company's operations are governed by laws and regulations covering the protection of the environment. The Company intends to implement progressive measures for rehabilitation work to be carried out during the operation, closing and follow-up work upon closing of the Aguila Norte processing plant; consequently, the Company has accounted for its asset retirement obligations for the plant using best estimates of future costs, based on information available at the reporting date. These estimates are subject to change following modifications to laws and regulations or as new information becomes available.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

THREE MONTHS ENDED JUNE 30, 2024

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

The Company received its final environmental permit for the Aguila Norte Plant in February 2018 and set up a provision for the asset retirement and reclamation obligations. As at June 30, 2024, the estimated undiscounted cash flow required to settle the asset retirement obligation for Aguila Norte Plant and its related tailings pond is \$241,378 and is projected to be disbursed no earlier than 2024 (March 31, 2024 – 2024). A 5% (March 31, 2024 – 5%) discount rate and 2% (March 31, 2024 – 2%) inflation rate were used to evaluate this provision.

	\$
Balance, March 31, 2024	238,430
Accretion	2,948
Balance, June 30, 2024	<u>241,378</u>

**11. CAPITAL STOCK AND WARRANT RESERVE****a) Authorized, Issued and Outstanding shares**

Authorized - unlimited number of common shares with no par value,  
- 100,000,000 preferred shares with no par value

	Common Shares #	Amount \$
	<u>#</u>	<u>\$</u>
<b>Balance, December 31, 2022</b>	<b>99,058,521</b>	<b>53,373,066</b>
Exercise of stock options	400,000	40,000
Allocation from share-based payment reserve	-	28,541
Exercise of warrants	284,000	28,400
Allocation from warrant reserve	-	2,840
Share issuance costs	-	(307)
<b>Balance, March 31, 2024</b>	<b><u>99,742,521</u></b>	<b><u>53,472,540</u></b>
Shares issued for cash	3,929,286	275,050
Shares issued for San Maurizo investment (Note 5)	2,500,000	175,000
Share issuance costs	-	(3,267)
<b>Balance, June 30, 2024</b>	<b><u>106,171,807</u></b>	<b><u>53,919,323</u></b>

A summary of common shares outstanding as at June 30, 2024 and changes during the three month period then ended are presented below:

- (i) During the three months ended June 30, 2024, the Company issued a total of 3,929,286 common shares via a non-brokered private placement at a price of \$0.07 per Unit. Each Unit included one common share and one-half share-purchase warrant ("Warrant"). Each Warrant is exercisable to acquire one additional common share for two years at a price of \$0.10 per Warrant.
- (ii) During the three months ended June 30, 2024, the Company issued a total of 2,500,000 common shares at a deemed price of \$0.07 per share as part of the Transaction with Hudson (see Note 5).

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THREE MONTHS ENDED JUNE 30, 2024

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(Expressed in Canadian dollars)

**b) Share Purchase Warrants**

A summary of warrants outstanding as at June 30, 2024 and changes during the three month period then ended are presented below:

	Warrants	Amount	Weighted average exercise price
	#	\$	\$
Balance, December 31, 2022	2,334,000	23,340	0.10
Expired	(2,050,000)	(20,500)	0.10
Exercised	(284,000)	(2,840)	0.10
Balance, March 31, 2024	-	-	-
Issued	1,964,643	196,464	0.10
Balance, June 30, 2024	1,964,643	196,464	0.10

Warrants outstanding as at June 30, 2024:

Expiry date	Number of warrants outstanding #	Exercise price \$	Weighted average remaining contractual life (years)
April 26, 2026	1,607,143	0.10	1.82
May 28, 2026	357,500	0.10	1.91
	1,964,643		1.84

**12. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN**

The Company has adopted a share option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the options are determined by the Board of Directors.

The aggregate number of share options may not exceed 10% of the issued and outstanding common shares of the Company, and if any option granted under the Plan expires or terminates for any reason in accordance with the terms of the Plan without being exercised, that option would again be available for the purpose of the Plan. In addition, the exercise price of options granted under the Plan may not be lower than the exercise price permitted by the TSXVE, and all options granted under the plan may have a term not to exceed five years after issuance. All options currently issued and outstanding vested 100% on the date of grant.

A summary of the status of the Plan as at June 30, 2024 and March 31, 2024, and changes during the fifteen month period ended on those dates are presented below:

	Number of options #	Weighted average exercise price \$
Balance, December 31, 2022	2,725,000	0.18
Exercised*	(400,000)	0.10 *
Expired	(200,000)	0.15
Issued	375,000	0.08
Balance, March 31, 2024 and June 30, 2024	2,500,000	0.18

As at June 30, 2024, the Company had outstanding share options issued to directors, officers, employees and consultants of the Company as follows:

Date of Grant	Options outstanding #	Options vested #	Exercise price \$	Expiry date
December 20, 2021	2,125,000	2,125,000	0.20	December 20, 2024
December 14, 2023	375,000	375,000	0.08	December 14, 2028
	<u>2,500,000</u>	<u>2,500,000</u>		

The weighted average remaining contractual life of options issued and outstanding as at June 30, 2024 was 1.07 years (March 31, 2024 – 1.32 years).

The grant date fair value of the options granted was estimated using the Black-Scholes option pricing model, using the following weighted average assumptions:

	<u>2024</u>
Risk-free interest rate	3.24%
Expected life (years)	5.0
Expected volatility	133%
Expected rate of forfeiture	nil
Expected dividend yield	nil
Share price	\$0.06

### 13. LOSS PER SHARE

#### a) Basic

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares in issue during the three month period.

	Three months ended June 30, <b>2024</b>	Three months ended June 30, 2023
Net income (loss) for the period	\$ (232,436)	\$ 71,909
Weighted average number of common shares outstanding	<b>104,548,339</b>	99,742,521
Loss per share	\$ (0.002)	\$ 0.001

#### b) Diluted

Diluted loss per common share is equal to the basic loss per common share for the three months ended June 30, 2024 and the fifteen months ended March 31, 2024 as all of the stock options and warrants outstanding are anti-dilutive.

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**14. PLANT OPERATING EXPENSES**

	Three months ended June 30,	
	2024	2023
	\$	\$
Processing costs	281,561	207,571
Salaries and management fees	122,914	110,942
Depreciation	32,653	34,699
Office and general	4,607	33,475
Vehicles and equipment rentals	31,933	14,482
Professional fees	4,953	3,411
Security	8,356	9,534
	<b>486,977</b>	<b>414,114</b>

**15. GENERAL AND ADMINISTRATIVE**

	Three months ended June 30,	
	2024	2023
	\$	\$
Management and consulting fees	38,573	35,466
Shareholder relations and filing fees	34,315	30,306
Accounting and administration	22,240	16,302
Professional fees	(16,102)	413
Rent	5,250	5,250
Insurance	4,085	3,955
Travel	11,118	3,284
Telephone and communication	753	249
	<b>100,232</b>	<b>95,225</b>

**16. FINANCIAL INSTRUMENT RISK FACTORS**

The Company may be exposed to risks of varying degrees of significance that could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below. There have been no significant changes in the risks, objectives, policies and procedures from the previous year.

**a) Credit risk management**

Credit risk relating to cash and amounts receivable arises from the possibility that any counterparty to an instrument fails to perform. The Company does not feel there is significant counterparty risk that could have an impact on the fair value of cash and receivables. The Company applies the simplified approach to providing for expected credit losses ("ECL") prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables. The provision for ECL at June 30, 2024 and March 31, 2024 was \$Nil. As at June 30, 2024, the Company's cash is comprised of \$42,654 held in a Canadian financial institution and \$71,539 held in Peruvian financial institutions.

**b) Liquidity risk**

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Cash includes cash on hand and balances with banks. The deposits are held in Canadian and Peruvian chartered banks, or a financial institution controlled by Canadian and Peruvian chartered banks.

As of June 30, 2024, the Company had a cash balance of \$114,013 (March 31, 2024 - \$107,199) to settle current liabilities of \$438,962 (March 31, 2024 - \$505,436). The Company's other current assets consist of amounts receivable of \$188,439 (March 31, 2024 - \$185,086) sales tax receivable of \$7,347 (March 31, 2024 - \$13,498), an investment of \$Nil (March 31, 2024 - \$22,793) and notes receivable of \$Nil (March 31, 2024 - \$108,400).

**c) Market risk**

At the present time, the Company does not hold any interest in a mining property that is in production. The Company's viability and potential success depends on its ability to source mineral for processing profitably and develop, exploit, and generate revenue from the development of mineral deposits. Revenue, cash flow, and profits from any future milling and mining operations in which the Company is involved will be influenced by precious and/or base metal prices and by the relationship of such prices to production costs. Such prices can fluctuate widely and are affected by numerous factors beyond the Company's control.

The Company is exposed to price risk associated with the change in the market value of its investment in IMMC. The Company closely monitors equity prices to determine the appropriate course of action to take. A 1% change in the market price of the investment would not have resulted in a significant change to the Company's net loss for the three months ended June 30, 2024.

**d) Foreign exchange risk**

The Company's financings are in Canadian dollars. Certain of the Company's transactions are incurred in foreign currencies and are therefore subject to gains or losses due to fluctuations in exchange rates.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposure associated with the Company's foreign currency-denominated cash balances.

The Company utilizes foreign exchange forward contracts to manage foreign exchange risks from time to time, at the determination of management.

**e) Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's cash balances earn interest at fixed rates over the next three to twelve months. It is management's opinion that the Company is not exposed to significant interest rate risk.

A sensitivity analysis has determined that an interest rate fluctuation of 1% would not have resulted in significant fluctuation in the interest expense during the three months ended June 30, 2024.

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**f) Fair value of financial assets and liabilities**

The carrying values of the cash, amounts receivable, investments, accounts payable and accrued liabilities, and due to related parties approximate their respective fair values due to the short-term nature of these instruments.

**17. CAPITAL RISK MANAGEMENT**

The Company defines capital as shareholders' equity which at June 30, 2024 was \$1,418,254 (March 31, 2024 - \$1,087,017). The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support its exploration, development and operation activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to fund operations at the Aguila Norte Plant, pursue the exploration of its mineral properties, and maximize shareholder returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing bank indebtedness or equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at June 30, 2024 and March 31, 2024, the Company had no bank debt.

Management reviews its capital management approach on an ongoing basis. There were no significant changes in the Company's approach to capital management during the three months ended June 30, 2024 and the fifteen months ended March 31, 2024. The Company and its subsidiaries are not subject to externally imposed capital requirements other than Policy 2.5 of the TSXVE, which requires adequate working capital or financial resources to maintain operations and cover general and administrative expenses for a period of 6 months. As of June 30, 2024, the Company may not be compliant with Policy 2.5 of the TSXVE. The impact of this violation is not known and is ultimately dependent on the direction of the TSXVE.

**18. COMMITMENTS AND CONTINGENCIES****Lease agreements**

The Company's subsidiary, Madosac, has annual office rental obligations of \$21,138 (US\$15,600) due during the twelve months ending March 31, 2025.

**Management compensation**

The Company has agreed to pay management compensation of a minimum total in annual payments of \$180,000.

**Environmental matters**

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

**Legal proceedings**

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at June 30, 2024 and March 31, 2024, no amounts have been accrued related to such matters.