CHAKANA COPPER CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2024 AND 2023

(EXPRESSED IN CANADIAN DOLLARS)

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CHAKANA COPPER CORP.

Opinion

We have audited the consolidated financial statements of Chakana Copper Corp. and its subsidiaries (the "Company"), which comprise:

- the consolidated statements of financial position as at May 31, 2024 and 2023;
- the consolidated statements of loss and comprehensive for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended; and
- the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at May 31, 2024 and 2023, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $2,587,519 during the year ended May 31, 2024 and, as of that date, has a deficit of $40,925,156. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on 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 for the year ended May 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our auditors' report.

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Other Information

Management is responsible for the other information. The other information comprises the information included in 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 identified above 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 auditors' 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, 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.

Auditors' 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 auditors' 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:

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- 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 auditors' 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 auditors' 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.

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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 period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is Hervé Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
September 26, 2024

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CHAKANA COPPER CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)

		May 31, 2024		May 31, 2023
ASSETS				
Current Assets				
Cash (Note 12)	$	2,280,298	$	2,251,365
Prepaids and other current assets		166,939		153,158
		2,447,237		2,404,523
Non-current Assets				
Property and Equipment (Note 6)		419,138		548,678
Value-added tax receivable (Note 7)		88,713		254,463
Prepaids		75,534		87,567
Exploration and evaluation assets (Note 5)		7,800,296		5,946,838
Total Assets	$	10,830,918	$	9,242,069
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities (Notes 12 and 15)	$	639,465	$	383,869
Current portion of lease obligation (Note 8)		53,233		57,486
		692,698		441,355
Non-current Liabilities				
Lease obligation (Note 8)		58,204		120,664
Total Liabilities		750,902		562,019
Shareholders' Equity				
Common shares (Note 9)		47,550,208		43,716,860
Stock option reserve (Note 9)		2,299,156		2,236,275
Accumulated other comprehensive income		1,155,808		1,176,188
Deficit		(40,925,156)		(38,449,273)
Total Shareholders' Equity		10,080,016		8,680,050
Total Liabilities and Shareholders' Equity	$	10,830,918	$	9,242,069

Approved on behalf of the Board of Directors

/s/ Tom Wharton
Tom Wharton, Director

/s/ Darren Devine
Darren Devine, Director

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

CHAKANA COPPER CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED
(Expressed in Canadian Dollars)

		May 31, 2024		May 31, 2023
OPERATING EXPENSES				
Consulting fees (Note 15)	$	194,757	$	156,246
Depreciation (Note 6)		96,524		108,713
Exploration and evaluation expenditures (Note 5 and 10)		1,395,345		2,270,138
General and administrative		274,075		271,260
Investor relations		71,621		77,602
Legal and professional fees (Note 15)		160,541		202,399
Salaries and wages (Note 15)		309,751		226,360
Stock-based compensation (Notes 9 and 15)		49,445		235,995
Travel and meals		12,577		11,436
Operating Expenses		(2,564,636)		(3,560,149)
Other				
Foreign exchange gain (loss)		(55,494)		27,165
Loss on disposal of assets (Note 6)		(73)		(2,981)
Interest income		32,684		53,818
		(22,883)		78,002
Net Loss		(2,587,519)		(3,482,147)
Other Comprehensive Loss				
Item that may be reclassified to profit or loss				
Foreign currency translation		(20,380)		407,936
Comprehensive Loss	$	(2,607,899)	$	(3,074,211)
Basic and diluted loss per share	$	(0.01)	$	(0.02)
Weighted average number of common shares outstanding (basic and diluted)		208,393,956		169,191,722

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

CHAKANA COPPER CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED
(Expressed in Canadian Dollars)

		May 31, 2024		May 31, 2023
Cash Flows Used in Operating Activities				
Net loss	$	(2,587,519)	$	(3,482,147)
Adjustments to reconcile net loss to cash used in operating activities				
Depreciation		96,524		108,713
Stock-based compensation		49,445		235,995
Unrealized foreign exchange		40,750		29,912
Loss on disposal of assets		-		2,981
Prepaids and other current assets		(1,748)		457
Value-added tax receivable		165,750		311,779
Accounts payable and accrued liabilities		255,596		(258,514)
		(1,981,202)		(3,050,824)
Cash Flows Used in Investing Activities				
Leasehold improvements and purchase of equipment		(1,988)		(2,170)
Acquisition of exploration and evaluation assets		(1,624,184)		(1,264,896)
		(1,626,172)		(1,267,066)
Cash Flows Provided by Financing Activities				
Repayment of lease obligation		(38,974)		(48,160)
Proceeds from private placement		3,000,034		1,091,470
Share issue cost		(117,163)		(60,164)
Shares issued on exercise of warrants		790,731		-
		3,634,628		983,146
Changes in cash during the year		27,254		(3,334,744)
Foreign exchange on cash		1,679		21,944
Cash – beginning of the year		2,251,365		5,564,165
Cash – end of the year	$	2,280,298	$	2,251,365
Non-cash items				
Shares issued for property	**$**	**284,818**	$	456,581
Amendment to lease agreement	**$**	**25,005**	$	-

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

CHAKANA COPPER CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Common Shares						
	Shares	Amount	Subscription Receipts	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance – May 31, 2022	157,679,497	$ 42,195,337	$ 60,280	$ 2,957,941	$ 768,252	$ (35,951,431)	$ 10,030,379
Units issued on private placement	10,470,451	1,151,750	(60,280)	-	-	-	1,091,470
Share issue costs	-	(86,808)	-	26,644	-	-	(60,164)
Shares issued for property	4,863,431	456,581	-	-	-	-	456,581
Fair value of forfeited and expired options and warrants	-	-	-	(984,305)	-	984,305	-
Other comprehensive income for the year	-	-	-	-	407,936		407,936
Stock-based compensation	-	-	-	235,995	-		235,995
Net loss for the year	-	-	-	-	-	(3,482,147)	(3,482,147)
Balance – May 31, 2023	173,013,379	43,716,860	-	2,236,275	1,176,188	(38,449,273)	8,680,050
Units issued on private placement	75,000,851	3,000,034	-	-	-	-	3,000,034
Share issue costs	-	(248,448)	-	131,285	-	-	(117,163)
Shares issued for property	3,758,839	284,818	-	-	-	-	284,818
Exercise warrants for cash	13,178,852	796,944	-	(6,213)	-	-	790,731
Fair value of expired warrants	-	-	-	(111,636)	-	111,636	-
Other comprehensive income for the year	-	-	-	-	(20,380)		(20,380)
Stock-based compensation	-	-	-	49,445	-		49,445
Net loss for the year	-	-	-	-	-	(2,587,519)	(2,587,519)
Balance – May 31, 2024	264,951,921	$ 47,550,208	$ -	$ 2,299,156	$ 1,155,808	$ (40,925,156)	$ 10,080,016

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

1. Nature of Operations and Going Concern

Chakana Copper Corp. (the “Corporation” or “Chakana”) was incorporated on May 2, 2011, under the laws of the province of British Columbia, Canada. The Corporation is listed on the TSX Venture Exchange under the symbol “PERU”. The Corporation is currently engaged in exploration of mineral properties, with its principal focus at this stage on the exploration of the Soledad copper-gold-silver project located in central Peru (the “Soledad Project”).

The head office and principal address is Suite 1012 – 1030 West Georgia Street, Vancouver, British Columbia, V6E 2Y3, Canada. The records office of the Corporation is located at 1055 West Pender Street, Suite 1500, Vancouver, British Columbia, V6E 4V7, Canada.

The Corporation is in the process of exploring and developing its mineral properties. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, successful permitting, the ability of the Corporation to obtain necessary financing to complete exploration and development, and upon future profitable production or proceeds from the disposition of each mineral property. Furthermore, the acquisition of title to mineral properties is a complicated and uncertain process, and while the Corporation has taken steps in accordance with normal industry standards to verify its title to the mineral properties in which it has an interest, there can be no assurance that such title will ultimately be secured. The carrying amounts of mineral properties are based on costs incurred to date, and do not necessarily represent present or future values.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Corporation will be able to continue in operation for the foreseeable future and meet its obligations in the normal course of business.

The Corporation has incurred ongoing losses and will continue to incur further losses in the course of exploring its mineral properties. During the year ended May 31, 2024, the Corporation incurred a net loss of $2,587,519 (2023 - $3,482,147) and as of that date has a deficit of $40,925,156 (2023 - $38,449,273). The Corporation has historically relied on the issuance of share capital to fund its operations. Although the Corporation has been successful in raising equity financing in the past, there is no assurance that such financing will continue to be available with acceptable terms. These uncertainties may cast significant doubt about the Corporation’s ability to continue as a going concern. Accordingly, these consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern. Such adjustments could be material.

2. Basis of Preparation and Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved by the Board of Directors on September 26, 2024.

The Corporation’s 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 and are presented in Canadian dollars except where otherwise indicated.

3. Material Accounting Policies

The material accounting policies used in the preparation of these consolidated financial statements are summarized below.

(a) Basis of Consolidation

The Corporation's consolidated financial statements include the accounts of the Corporation and its subsidiaries. Subsidiaries are entities controlled by the Corporation, where control is achieved by the Corporation being exposed to, or having rights to, variable returns from its involvement with the entity and having the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are deconsolidated from the date that control ceases. The Corporation currently has one wholly owned subsidiary: Chakana Resources S.A.C., a Peruvian company.

All inter-company transactions, balances, income, and expenses are eliminated on consolidation.

(b) Exploration and Evaluation Assets

Exploration and evaluation assets are comprised of interests in mineral properties owned by the Corporation and are initially measured at the fair value of the consideration paid for the mineral interests acquired. The amounts shown for mineral interests represent the cost of acquisition and do not reflect present or future values. These costs will be amortized against future production or written off if the assets are abandoned or sold.

Exploration and evaluation costs, except for the cost of acquisition, are expensed as incurred until management has determined that there is sufficient evidence to show the technical feasibility and commercial viability of the extraction of the mineral resources from the mineral interest owned. Once technical feasibility and commercial viability are demonstrated in the mineral interests owned, exploration and evaluation expenditures are capitalized as developing assets.

At each reporting date, exploration and evaluation assets are tested for indications of impairment.

(c) Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment comprises of its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by management.

The cost of equipment, less residual value (if any), is depreciated over the estimated useful life of the asset on a straight-line basis as follows:

Equipment	3-10 years

Where components of an item of equipment have different useful lives or for which different deprecation rates would be appropriate, they are accounted for as separate items of equipment.

An item of equipment is derecognized upon disposal or replacement. Any gains or loss arising on recognition of the asset (calculated as the difference between the net proceeds of disposition and the carrying amount of the asset) is included on the Consolidated Statements of Loss and Comprehensive Loss when the asset is derecognized.

3. Material Accounting Policies (continued)

(d) Impairment of Long-Lived Assets

Impairment tests for non-current assets or cash-generating units ("CGU") are performed when there is an indication of impairment. At each reporting date, an assessment is made to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the non-current asset or CGU's recoverable amount is calculated. The recoverable amount is determined at the higher of fair value less costs of disposal and value in use. If the carrying value of a non-current asset or CGU exceeds its recoverable amount, the asset or CGU is impaired and an impairment loss is charged to profit and loss so as to reduce the carrying amount of the non-current asset to its recoverable amount. Management has assessed its exploration and evaluation assets as one CGU, being the Soledad Project, which comprises of the Condor Option, Aija Project and Barrick Option (Note 5).

(e) Value-Added Tax Receivable

Expenditures incurred by the Corporation in Peru are subject to Peruvian Value Added Tax ("VAT"). Under Peruvian law, VAT paid can be used in the future to offset amounts resulting from VAT charged on sales. Under certain circumstances and subject to approval from tax authorities, a corporation can also apply for early refund of VAT prior to generating sales. The Corporation has entered into an agreement with the Ministry of Energy and Mines to apply for early refund of VAT. VAT refundable under the agreement is recorded as a receivable to the extent management believes the amount will be refunded.

(f) Decommissioning Liabilities

The Corporation recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or evaluation of exploration and evaluation assets, and equipment. Provisions for site closure and decommissioning are recognized in the period in which the obligation is incurred or acquired and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in exploration and evaluation assets and equipment. These costs are depreciated using either the unit of production or straight-line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in profit or loss.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Corporation of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and decommissioning costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Corporation's closure and decommissioning liabilities becomes available.

3. Material Accounting Policies (continued)

(g) Current and Deferred Income Taxes

Income tax expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in profit or loss except to the extent that they relate to a business combination or to items recognized directly in equity or in other comprehensive income.

Current income taxes are the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous periods.

Deferred income taxes are recognized using the liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. However, deferred income taxes are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss.

Deferred income taxes are determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are presented as non-current in the consolidated financial statements.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right of offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

(h) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Corporation. Financial instruments issued by the Corporation are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Corporation’s common shares, share options and warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new share options are shown in equity as a deduction, net of tax, from the proceeds.

(i) Equity Unit

The proceeds received on the issuance of units, comprised of common shares and warrants, are allocated using the residual value method. Under the residual value method, proceeds are allocated first to share capital up to the fair value of the common share, determined by reference to the quoted market price of the common shares on the issuance date, with the residual amount of proceeds, if any, allocated to the reserve for warrants.

3. Material Accounting Policies (continued)

(j) Share-based Payment Transactions

The Corporation has a stock option plan that provides for the granting of options to officers, directors, consultants and related company employees to acquire shares of the Corporation. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in reserves as the options vest. Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted, including exercise price, expected life, expected volatility, current market price of underlying shares, risk-free interest rate, dividend yield, and forfeiture rate. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. On vesting, stock-based compensation is recorded as an operating expense and as reserves. When options are exercised, the consideration received is recorded as common shares. In addition, the related stock-based compensation originally recorded as reserves is transferred to common shares. When an option is cancelled, or expires, the initial recorded value is reversed and charged to deficit.

(k) Foreign Currencies

The consolidated financial statements are presented in Canadian dollars (“CDN”). The functional currency of the Corporation and its subsidiary is measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the Corporation is the Canadian dollar, and the functional currency of Chakana Resources S.A.C. is the Peruvian Sol (“Sol”).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are retranslated 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 transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Foreign exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

Under IFRS, the results and financial position of all the Corporation’s entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the consolidated statements of financial position;
- Income and expenses are translated at average exchange rates (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 date of the transaction); and
- All resulting exchange differences are recognized as a separate component of shareholders’ equity.

3. Material Accounting Policies (continued)

(l) Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Diluted earnings (loss) per share is calculated using the treasury share method whereby all "in the money" options, warrants and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

Where dilutive potential ordinary shares have an anti-dilutive impact, they are excluded from the calculation of diluted earnings (loss) per share.

(m) Leases

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Corporation assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract, and it has the right to direct the use of the asset.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. The right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments, and amounts expected to be payable at the end of the lease term.

The Corporation has elected not to recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

(n) Financial Instruments

Financial Assets

The Corporation recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Corporation classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss.

Financial assets measured at amortized cost:

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.
- The Corporation's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

3. Material Accounting Policies (continued)

(n) Financial Instruments (continued)

Financial Assets **(continued)**

Financial assets measured at amortized cost (continued):

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary. The Corporation does not have any financial assets classified at amortized cost.

Financial assets measured at fair value through other comprehensive income ("FVTOCI"):

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is re-measured at fair value with changes in fair value included in other comprehensive income. The Corporation does not have any financial assets classified at FVTOCI.

Financial assets measured at fair value through profit or loss ("FVTPL"):

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises. Cash are classified as financial assets at FVTPL.

The Corporation derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Corporation transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Corporation are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Liabilities

Financial liabilities are classified as amortized cost, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemptions, as well as any interest or coupon payable while the liability is outstanding. Accounts payable represent liabilities for goods and services provided to the Corporation prior to the end of the period which are unpaid. Accounts payable and accrued liabilities and lease obligation are classified as financial liabilities as amortized costs.

4. Significant Accounting Judgments and Estimates

The preparation of the Corporation's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ significantly from these estimates.

Significant judgments and estimates that have the most significant effect on the amounts recognized in the Corporation's consolidated financial statements are as follows.

Critical accounting judgments:

Judgments that have the most significant effect on the amounts recognized in the Corporation's consolidated financial statements are as follows:

- *Impairment of Exploration and Evaluation Asset*

  The net carrying value of an exploration asset is reviewed regularly for conditions that suggest potential indications of impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

- *Going Concern*

  The assessment of the Corporation's ability to continue as a going concern involves critical judgment based on historical experience and expectations of the Corporation's ability to generate adequate financing. Significant judgment is used in the Corporation's assessment of its ability to continue as a going concern.

- *Functional Currency*

  The functional currency of Chakana Resources S.A.C. is the Peruvian Sol – the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Corporation reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

- *Income taxes*

  Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

  The determination of the ability of the Corporation to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Corporation. Management is required to assess whether it is probable that the Corporation will benefit from these prior losses and other deferred tax assets. Change in economic conditions, metal prices and other factors could result in revision to the estimates of the benefits to be realized or the timing of utilizing the losses.

(Expressed in Canadian Dollars)

4. Significant Accounting Judgments and Estimates (continued)

Critical accounting judgments (continued):

- *Value Added Tax ("VAT")*

Management's assumptions regarding the recoverability of Value Added Tax ("VAT") receivable at the end of each reporting period is made using all relevant facts available, including past collectability, the development of VAT policies and the general economic environment of the country to determine if a write-down of the VAT is required. Collection of the amount receivable depends on processing and payment of the claims by the local government, which historically has been very slow. The Corporation has been receiving its VAT from prior years and as such, management has determined as at May 31, 2024 and 2023 that it is appropriate to record the VAT as a receivable without any allowance for collectability. The timing and amount of the VAT ultimately collectable could be materially different from the amount recorded in the consolidated financial statements.

Critical accounting estimates:

- *Stock-based compensation*

Stock-based compensation is valued using the Black-Scholes option pricing model at the date of grant and expensed in profit or loss over vesting period of each award for stock options and recorded as share issue cost for broker warrants issued in conjunction with financings. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Stock-based compensation expense also utilizes subjective assumption on forfeiture rate. Changes in these input assumptions can significantly affect the fair value estimate.

5. Exploration and Evaluation Assets

	Condor Option	Aija Project	Barrick	Total
Balance – May 31, 2022	$ 2,786,898	$ 804,473	$ 308,259	$ 3,899,630
Acquisition costs	1,199,729	521,748	-	1,721,477
Foreign exchange on translation	225,394	60,403	39,934	325,731
Balance – May 31, 2023	4,212,021	1,386,624	348,193	5,946,838
Acquisition costs	1,437,861	472,993	-	1,910,854
Foreign exchange on translation	(41,150)	(12,411)	(3,835)	(57,396)
Balance – May 31, 2024	$ 5,608,732	$ 1,847,206	$ 344,358	$ 7,800,296

The Corporation's wholly owned subsidiary, Chakana Resources S.A.C., holds the following:

(i.) The option to acquire a 100% ownership interest in the Soledad Project, Peru ("Condor Option");
(ii.) An option to acquire a 100% ownership interest in the adjacent Aija Project, Peru ("Aija Project"); and
(iii.) An option to acquire up to a 100% ownership in other adjacent mineral concessions owned by Minera Barrick Misquichilca S.A. ("Barrick") (the "Barrick Option").

All three options are collectively referred to as the "Soledad Project".

The Corporation is the operator of all related mineral exploration activities on these projects.

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

(a) Condor Option

On April 17, 2017, the Corporation entered into a Mining Assignment and Option Agreement ("Condor Option") with Minera Vertiente del Sol S.A.C. ("MVS") (the "Agreement"), a subsidiary of Condor Resources Inc. ("Condor"), pursuant to which the Corporation has the sole and exclusive option to acquire 100% of the rights and interests in the Soledad Copper/Gold Project, Peru (the "Soledad Project"), subject to a 2% net smelter return royalty ("NSR"). The agreement was amended on March 18, 2019 and November 13, 2020, relating to the Soledad Project.

The Condor Option is exercisable by issuing 500,000 common shares by June 23, 2018 (issued), making aggregate cash payments of US$5,375,000, and completing 12,500 metres of drilling on the Soledad Project. During the year ended May 31, 2018, the Corporation fulfilled the 12,500 metres of exploration drilling requirement on the Soledad Project. On April 14, 2022, the Corporation reached an agreement with Condor to amend the terms of the Condor Option.

Under the existing agreement, a final payment of US$4.425 million dollars was due to Condor on April 23, 2022. The parties have agreed to extend and amend the terms of the option to provide that Chakana may complete the exercise of the option by either (1) paying US$2,800,000 and issuing 9,480,198 common shares prior to June 23, 2022; or (2) making cash and share payments over the next three-year period as shown below. The Corporation has decided to exercise the option by making the following cash payments and share issuances:

Date	Cash payment	Shares in CDN$ equivalent
On or prior to June 23, 2022 (paid)	US$800,000	$ 200,000
On or prior to June 23, 2023 (cash paid and shares issued)	US$1,000,000	$ 200,000
On or prior to June 23, 2024	US$1,000,000	$ 200,000
On or prior to June 23, 2025	US$1,425,000	$ 200,000

(1) The number of shares to be issued is to be determined by dividing the $200,000 by the share price, which is the greater of i) the average market price during the last trading 10 days before issuing; or ii) a price of $0.145 per share.

(2) Subsequent to May 31, 2024, the Corporation commenced negotiations to amend the agreement with Condor. Under the current agreement the payment deadline is extended if at the time of the payment due date the Corporation and Condor are in negotiations to amend the agreement. Based on this extension the payment deadline for the June 23, 2024 payment is extended to October 6, 2024. If negotiations to amend the agreement fail, the property will revert back to Condor and Condor will grant a 1% NSR with a 2 km area of interest to the Corporation. Condor will have the right to purchase 50% of the NSR (or 0.5% NSR) for US$1,000,000.

The amounts of the share payments are subject to adjustment in the event of early or late payment. In addition, Condor has agreed to certain voluntary resale restrictions on the shares of Chakana to be issued to Condor, with periodic releases over an 18-month period.

Pursuant to the amendment agreement and as part of the amount owed to Condor, Chakana also agreed to make a payment of US$200,000 which was made on April 21, 2022. As at May 31, 2024, the Corporation has made total payments of US$2,950,000.

Under the agreement, the Corporation may purchase from MVS 50% of the NSR, equal to a 1% NSR, for US$2,000,000 at any time. On March 18, 2019, the Corporation purchased a 1% NSR on the Soledad Project for $369,902 (US$275,000) and 900,000 common shares. As a result of the Corporation purchasing the NSR, the option agreement between the parties was amended to reflect a reduction of the Condor NSR royalty from 2% to 1%, with the Corporation having the right to repurchase 50% of the NSR (or 0.5% NSR) for US$1,000,000 subsequent to exercising the option. If the Corporation does not exercise the option to acquire Soledad Project, Condor has the right to purchase 50% of the NSR (or 0.5% NSR) for US$1,000,000. In addition, the pre-royalty payment obligation was eliminated.

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

(b) Aija Project

On March 20, 2018, the Corporation entered into an Option Agreement (the "Aija Option") with an arms-length third party to acquire 100% of the rights and interest in the Aija Project (the "Aija Project") subject to a 2% NSR.

During December 2022, the Corporation entered into an agreement to amend the payment terms under the Aija Option. The agreement was subsequently amended again during January 2024.

Under the terms of the original agreement, a final payment of US$1.5 million was due on May 1, 2023. The parties agreed to extend and amend the terms of the agreement as follows:

Installment	Date	Cash Amount (in US$)	US$ paid in shares
1	Upon execution of Letter of Intent on October 3, 2017 (paid)	75,000	-
2	Upon close of Definitive Agreement on August 1, 2018 (paid)	75,000	-
3	February 1, 2019 (paid)	50,000	-
4	August 1, 2019 (paid)	50,000	-
5	February 1, 2020 (paid)	75,000	-
6	November 1, 2020 (paid)	75,000	-
7	May 1, 2021 (paid)	100,000	-
8	November 1, 2021 (paid)	100,000	-
9	May 1, 2022 (paid)	100,000	-
10	November 1, 2022 (paid)	100,000	-
11	December 1, 2022 (Cash paid, shares issued)	100,000	75,000
12	May 1, 2023 (Cash paid, shares issued)	100,000	125,000
13	November 1, 2023 (Cash paid, shares issued)	100,000	150,000
14	August 1, 2024 (Cash paid, shares issued subsequent to May 31, 2024)	75,000[1]	75,000
15	November 1, 2024	75,000	-
16	February 1, 2025	150,000	75,000
17	May 1, 2025	150,000	-
18	November 1, 2025	150,000	-
19	May 1, 2026	150,000	-
20	November 1, 2026	250,000	-
	Total	**2,100,000**	**500,000**

(1) Subsequent to May 31, 2024, the Corporation renegotiated the August 1, 2024 cash amount of US$150,000 to be paid in two instalments of US$75,000; one instalment was paid August 14, 2024 along with the issuance common shares equivalent to US$75,000 and the second US$75,000 payment to be made November 1, 2024.

The number of shares will be determined based on the greater of (i) the ten-day volume weighted average trading price of the Chakana common shares as of the date of issuance of such Chakana shares, or (ii) the market value at the time the obligation arises, provided that the shares for each payment may not be issued at a price lower than $0.05 per share. As at May 31, 2024, the Corporation has paid instalments 1 to 13, totaling US$1,100,000 and made payment 14 subsequent to May 31, 2024. Under the terms of the Aija Option, the Corporation may purchase all of the 2% NSR at any time for US$2,000,000. There are no drilling or work expenditure commitments under the Option.

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

(c) Barrick Option

On July 11, 2018, Barrick granted the Corporation an option to acquire a 100% interest in three concessions adjoining the southern extent of the Aija Project (the "Barrick Option"). Under terms of the agreement, the Corporation has five years in total to complete a minimum of 2,000 metres of drilling and produce a Preliminary Economic Assessment report compliant with National Instrument 43-101. In October 2021, the Corporation amended the July 11, 2018 agreement. Under terms of the amended agreement, the Corporation must obtain the Authorization to Imitate Activities ("AIA") for exploration drilling on or before September 27, 2023 (first option). It then has four years from the date of the AIA to complete a minimum of 4,000 metres of drilling and produce a Preliminary Economic Assessment report compliant with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (second option). Upon exercise of the Barrick Option, Barrick will retain a 2% NSR subject to the Corporation's right to purchase 50% of the royalty for US$2,000,000.

Barrick will have a one-time right to reacquire a 70% interest in the concessions within 120 days of exercising the option by paying the Corporation three times the aggregate amount of exploration expenditures incurred since the execution date and cancelling the 2% NSR. If a production decision is then not made by Barrick within seven years of the Back-in Closing Date, Barrick will make pre-royalty payments of US$75,000 per year until a production decision is made for a maximum of five years (US$375,000). If the Corporation does not contribute its share of project costs its interest will be diluted to 10%, upon which its interest will be converted to a 2% NSR with Barrick retaining a right to purchase 50% of the royalty for US$2,000,000. If Barrick declines, an undivided 100% interest in the concessions will be transferred to the Corporation.

6. Property and Equipment

	Right-of-use Asset	Equipment	Total
Cost			
As at May 31, 2022	$ 265,971	$ 658,734	$ 924,705
Additions	-	2,170	2,170
Foreign exchange on translation	21,005	45,324	66,329
Disposals	-	(87,000)	(87,000)
As at May 31, 2023	286,976	619,228	906,204
Additions	-	-	-
Foreign exchange on translation	(4,053)	(8,378)	(12,431)
Amendment to lease agreement	(25,005)	-	(25,005)
As at May 31, 2024	$ 257,918	$ 610,850	$ 868,768
Accumulated Depreciation			
As at May 31, 2022	$ (56,014)	$ (252,039)	$ (308,053)
Depreciation	(54,072)	(54,641)	(108,713)
Foreign exchange on translation	(9,528)	(15,251)	(24,779)
Disposals	-	84,019	84,019
As at May 31, 2023	(119,614)	(237,912)	(357,526)
Depreciation	(49,260)	(47,264)	(96,524)
Foreign exchange on translation	1,355	3,065	4,420
As at May 31, 2024	$ (167,519)	$ (282,111)	$ (449,630)
Net Book Value			
As at May 31, 2023	$ 167,362	381,316	548,678
As at May 31, 2024	$ 90,399	328,739	419,138

(Expressed in Canadian Dollars)

7. VAT Receivable

		May 31 2024		May 31, 2023
VAT receivable	$	88,713	$	254,463

As at May 31, 2024, the Corporation has $88,713 (May 31, 2023 - $254,463) in VAT receivable refundable from Peruvian tax authorities, net of VAT that is available to the Corporation which is not refundable but can be offset against future VAT payable. During the year ended May 31, 2024, the Corporation received VAT in the amount of 633,689 soles ($231,296) (2023 - 1,407,816 soles ($483,866)). Management has determined to classify VAT receivable as long-term due to uncertainty of timing when it will be received.

8. Lease Obligation

Balance – May 31, 2022	$	215,109
Interest expense		11,841
Lease payments		(62,730)
Currency translation adjustment		13,930
Balance – May 31, 2023		178,150
Amendment to lease agreement		(25,005)
Interest expense		10,043
Lease payments		(48,762)
Currency translation adjustment		(2,989)
Balance – May 31, 2024	$	111,437
Which consists of:		
Current portion of lease obligation	$	53,233
Non-current portion of lease obligation		58,204
	$	111,437

On May 1, 2021, the Corporation entered into a lease agreement for its Peruvian warehouse for a five-year term, expiring April 30, 2026. Pursuant to this lease, the Corporation is obligated to pay basic rent of 15,000 soles (approximately $4,737) on a monthly basis. On September 2023 the lease agreement was amended and the monthly payments were reduced to 10,000 soles per month for a period of 12 months resulting in a reduction of the right-of-use asset of $25,005 and lease liability of $25,005. The right-of-use asset and lease obligation were measured at the present value of the lease payments and discounted using an incremental borrowing rate of 6.4%.

9. Share Capital

(a) Authorized Share Capital

The Corporation is authorized to issue an unlimited number of common shares without par value.

(b) Issued Capital

During the year ended May 31, 2024, the Corporation issued common shares ("Shares") as follows:

- During June 2023, the Corporation issued 1,379,310 shares valued at $82,558 issued as part of the Condor Option payments.

9. Share Capital (continued)

(b) Issued Capital (continued)

- On November 6, 2023, the Corporation completed the first tranche of a non-brokered private placement of 20,541,495 units at a price of $0.04 per unit for gross proceeds of $821,660. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional share at a price of $0.06 per share for a period of two years. The Corporation may accelerate the expiry of the warrants in the event that for any ten consecutive trading days the closing price of the shares is greater than $0.09. The Corporation paid aggregate finder's fees of $13,720 and issued 343,000 finder's warrants in connection with the first tranche of the private placement. Each finder's warrant is exercisable to purchase one share at a price of $0.06 per share for a period of two years from closing of the private placement. The finder’s warrants were valued at $6,213 using the Black-Sholes option pricing model.

- On January 15, 2024, the Corporation completed the second and final tranche of a private placement issuing 54,459,356 units of the Corporation at a price of $0.04 per unit for gross proceeds of $2,178,374. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional share at a price of $0.06 per share for a period of two years from closing of the private placement. The Corporation may accelerate the expiry of the warrants in the event that for any ten consecutive trading days the closing price of the shares is greater than $0.09. The Corporation paid aggregate finder’s fees of $102,564 and issued 2,996,100 finder’s warrants in connection with the second tranche of the private placement. Each finder’s warrant is exercisable to purchase one share at a price of $0.06 for period of two years from closing of the private placement. The finder’s warrants were valued at $125,072 using the Black-Scholes option pricing model.

- On January 25, 2024, the Company issued 2,379,529 shares valued at $202,260 as part of the Aija Option agreement.

- During the year ended May 31, 2024, 13,178,852 shares were issued on exercise of warrants for total proceeds of $790,731.

During the year ended May 31, 2023, the Corporation issued common shares (“Shares”) as follows:

- On June 21, 2022, the Corporation completed the second and final tranche of a private placement of 10,470,451 units of the Corporation at a price of $0.11 per Unit for gross proceeds of $1,151,750. During the year ended May 31, 2022, $60,280 has been received and recorded as subscriptions received. Each Unit consists of one common share in the capital of the Corporation and one-half of one common share purchase warrant. Each Warrant entitles the holder to purchase one additional Share at a price of $0.20 per Share for a period of two years from closing of the private placement. The Corporation may accelerate the expiry of the Warrants in the event that for any ten consecutive trading days the closing price of the Shares is greater than $0.30. The Corporation paid aggregate finder’s fees of $60,164 and issued 513,736 finder’s warrants (“Finder’s Warrants”) in connection with the second tranche of the private placement. Each Finder's Warrant is exercisable to purchase one additional Share at a price of $0.20 per Share for a period of two years from closing of the private placement. The Finder’s Warrants were valued at $26,644 using the Black-Sholes option pricing model. Combined with the first tranche that closed in May, the financing resulted in total gross proceeds of $6,241,355.

- During the year ended May 31, 2023, the Corporation issued 3,484,121 shares in relation to the Aija Option valued at $256,581. Of these shares, 1,250,000 were issued in relation to the amendments to the option agreement and 2,234,121 issued as part of its option payments.

- During June 2022, the Corporation issued 1,379,310 shares valued at $200,000 issued as part of the Condor Option payments.

(Expressed in Canadian Dollars)

9. Share Capital (continued)

(c) Stock Options

The Corporation adopted a stock option plan (the "Plan") whereby it can grant stock options to directors, officers, employees and consultants of the Corporation. The maximum number of common shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Corporation at any time.

The changes in incentive stock options outstanding are summarized as follows:

	Weighted Average Exercise Price	Number of Shares Issued or Issuable on Exercise
Balance – May 31, 2022	$0.41	8,985,000
Granted	$0.075	4,200,000
Forfeited/Cancelled	$0.37	(3,160,000)
Balance – May 31, 2023 and 2024	$0.28	10,025,000

During the year ended May 31, 2023, the Corporation granted 4,200,000 incentive stock options to employees and consultants exercisable for a period of five years from the date of grant. 25% of the options will vest immediately on the grant date, 25% of the options will vest every six months thereafter and are exercisable at a price of $0.075 per common.

The fair value of options vested has been estimated using the Black-Scholes option pricing model, assuming an average risk-free interest rate ranging of 3.36% (2023 - 3.34%) per annum, an expected life of options of 5 (2023 - 5) years, an expected average volatility of 91.44% (2023 - 94.21%) based on historical data and no expected dividends. The Corporation has estimated the dividend and forfeiture rate to be 0.00% based on historical dividend payments and historical forfeiture rates. Expected volatility was determined based on the historical movements in the closing price of the Corporation's common shares for a length of time equivalent to the expected life of each option.

Incentive stock options outstanding and exercisable at May 31, 2024 and May 31, 2023 are summarized as follows:

Expiry Date	Exercise Price	May 31, 2024	May 31, 2023
December 12, 2024	$0.20	900,000	900,000
July 10, 2025	$0.40	1,650,000	1,650,000
April 22, 2026	$0.50	3,275,000	3,275,000
September 29, 2027	$0.075	4,200,000	4,200,000
Weighted average life remaining		2.25	3.25
Total outstanding options	$0.28	10,025,000	10,025,000
Total exercisable options	$0.28	10,025,000	7,950,000

(Expressed in Canadian Dollars)

9. Share Capital (continued)

(d) Warrants

The changes in warrants outstanding are summarized as follows:

	Weighted Average Exercise Price	Number of Shares Issued or Issuable on Exercise
Balance – May 31, 2022	$0.14	25,545,390
Issued	$0.14	5,748,962
Balance – May 31, 2023	$0.14	31,294,352
Issued	$0.06	78,339,951
Expired	$0.09	(11,366,466)
Exercised	$0.06	(13,178,852)
Balance – May 31, 2024	$0.09	85,088,985

During the year ended May 31, 2024, the Corporation issued 75,000,851 investor warrants and 3,339,100 Finder's Warrants as part of the private placement, which closed November 6, 2023 and January 15, 2024 (Note 9(b)).

During the year ended May 31, 2023, the Corporation issued 5,235,226 investor warrants and 513,736 Finder's Warrants as part of the second tranche of the private placement, which closed June 21, 2022 (Note 9(b)).

During the year ended May 31, 2024, the Company extended the term of 28,369,789 share purchase warrants that were set to expire on May 20, 2024 and June 21, 2024 with an exercise price of $0.20 to October 31, 2024, these warrants were also repriced to $0.14.

The fair value of Finder's Warrants uses the Black-Scholes option pricing model, assuming a weighted average risk-free interest rate of 3.86% (2023 - 3.35%) per annum, an expected life of 2 years (2023 - 2 years), a weighted average volatility of 105.18% (2023 - 84.38%) based on historical data and no expected dividends. The Corporation has estimated the dividend and forfeiture rate to be 0.00% (2023 - 0.00%) based on historical dividend payments and historical forfeiture rates. Expected volatility was determined based on the historical movements in the closing price of the Corporation's common shares for a length of time equivalent to the expected life of each warrant.

Warrants outstanding at May 31, 2024 and 2023 are summarized as follows:

Expiry Date	Exercise Price	May 31, 2024	May 31, 2023
May 24, 2024	$0.20	-	25,545,390[1]
June 21, 2024	$0.20	513,736	5,748,962
October 31, 2024	$0.14	28,369,793[1]	-
January 12, 2026	$0.06	56,205,456[2]	-
Total outstanding warrants	$0.09	85,088,985	31,294,352

[1] The Corporation may accelerate the expiry of the Warrants in the event that for any ten consecutive trading days the closing price of the shares is greater than $0.30 per unit.

[2] The Corporation may accelerate the expiry of the Warrants in the event that for any ten consecutive trading days the closing price of the shares is greater than $0.09 per unit.

(Expressed in Canadian Dollars)

10. Exploration and Evaluation Expenditures

The Corporation incurred exploration and evaluation expenditures as follows:

		Year ended May 31, 2024		**Year ended May 31, 2023**
Drilling	$	350,500	$	404,656
Exploration support and administration		644,299		1,139,918
Field operations and consumables		205,103		318,999
Geological consultants		45,239		94,209
Permitting and environmental consulting		116,386		116,369
Sampling and geological costs		5,562		35,945
Transportation		28,256		160,042
	$	1,395,345	$	2,270,138

11. Income Tax

Income Tax Reconciliation

A reconciliation of income taxes at statutory rates to income taxes expense for the year is as follows:

		Year ended May 31, 2024		**Year ended May 31, 2023**
Loss before income taxes	$	(2,587,519)	$	(3,482,147)
Statutory tax rate		27%		27%
Recovery at statutory rate		(698,630)		(940,180)
Effect of different foreign statutory rates		(32,075)		(73,912)
Origination and reversal of temporary differences		167,526		(35,796)
Permanent differences		17,464		(183,595)
Foreign exchange on timing differences		124,537		(640,695)
Net change in benefits of tax attributes not recognized		421,178		1,874,178
	$	-	$	-

Tax Attributes Not Recognized

		May 31, 2024		**May 31, 2023**
Non-capital losses	$	40,306,254	$	41,741,647
Share issuance costs	$	304,348	$	504,273

As at May 31, 2024, the Corporation has non-capital losses of approximately $12,700,000 (2023 - $10,909,000) carried for Canadian income tax purposes. These non-capital losses expire beginning May 31, 2032.

The Corporation also has non-capital losses of approximately $4,000,000 (2023 - $8,000,000) carried forward for Peruvian income tax purposes which are available for application against future taxable income. The Corporation also has approximately $23,600,000 (2023 - $22,720,000) in deferred exploration expenditures in Peru that can be applied against future taxable income. These non-capital losses and exploration expenditures can be used indefinitely. Future income tax benefits which may arise as a result of these losses have not been recognized in the financial statements as their realization is not probable.

12. Financial Instruments

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's primary exposure to credit risk is on its cash, which are being held in bank accounts. The cash is deposited in bank accounts held with one major bank in Canada, therefore, there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution, as determined by rating agencies.

Foreign Currency Risk

The Corporation incurs expenditures in Canada and Peru. Foreign currency risk arises as the amount of the Peruvian sol and US dollar cash, intercompany balances and payables will vary in Canadian dollar terms due to changes in exchange rates.

As at May 31, 2024 and 2023, the Corporation has not hedged its exposure to currency fluctuations.

As at May 31, 2024 and 2023, the Corporation is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	May 31, 2024	**May 31, 2023**
Cash	199,243	251,212
Accounts payable and accrued liabilities	(172,060)	(9,210)
Net	27,183	242,002
Canadian dollar equivalent ($)	(37,069)	(329,195)

Based on the above net exposures as at May 31, 2024, a 5% (2023 - 5%) change in the Canadian/US dollars exchange rate would impact the Corporation's income (loss) and comprehensive income (loss) by approximately $2,000 (2023 - $16,000), respectively.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The risk is minimal.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in satisfying financial obligations as they become due. The Corporation manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At May 31, 2024, the Corporation has cash of $2,280,298 (2023 - $2,251,365), current liabilities of $692,698 (2023 - $441,355) and non-current liabilities of $58,204 (2023 - $120,664).

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Corporation:

As at		May 31, 2024		May 31, 2023
Due Date				
0 – 90 days	$	655,890	$	400,528
91 – 365 days		49,275		49,950
More than 1 year		60,225		127,650
	$	765,390	$	578,128

12. Financial Instruments (continued)

Determination of Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Management considers that due to their short-term nature the carrying amounts of financial assets and financial liabilities, which include cash, and accounts payables and accrued liabilities are assumed to approximate their fair values. Lease liabilities are valued in accordance with level 3 of the fair value hierarchy.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 -Inputs other than quoted prices included in 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).

13. Management of Capital

The Corporation’s primary objectives in capital management are to safeguard the Corporation’s ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the development of the Soledad and Aija Projects. Capital is comprised of the Corporation’s shareholders’ equity. The Corporation manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. To maintain or adjust its capital structure, the Corporation may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Corporation is not subject to any externally imposed capital requirements. The Corporation did not change its approach to capital management during the year ended May 31, 2024.

(Expressed in Canadian Dollars)

14. Segmented Information

The Corporation operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Corporation's primary exploration and evaluation assets are located in Peru and its corporate assets, comprising mainly cash, are located in Canada. The Corporation is in the exploration stage and has no reportable segment revenues or operating results.

The Corporation's total assets are segmented geographically as follows:

		Canada		Peru		Total
As at May 31, 2024						
Current assets	$	2,077,257	$	369,980	$	2,447,237
Prepaids		-		75,534		75,534
Property and equipment		999		418,139		419,138
Value-added tax receivable		-		88,713		88,713
Exploration and evaluation assets		-		7,800,296		7,800,296
	$	2,078,256	$	8,752,662	$	10,830,918
As at May 31, 2023						
Current assets	$	1,971,652	$	432,871	$	2,404,523
Prepaids		-		87,567		87,567
Property and equipment		1,921		546,757		548,678
Value-added tax receivable		-		254,463		254,463
Exploration and evaluation assets		-		5,946,838		5,946,838
	$	1,973,573	$	7,268,496	$	9,242,069

15. Related Party Disclosures

The Corporation's related parties include key management personnel and companies related by way of directors or shareholders in common.

(a) Key Management Personnel Compensation

Related party transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. During the years ended May 31, 2024 and 2023, the Corporation paid and/or accrued the following compensation for salaries, fees and stock-based compensation to key management personnel:

		May 31, 2024		May 31, 2023
Fees				
Management fees included in salaries and wages	$	228,670	$	202,903
Accounting fees		102,000		102,000
Director fees included in consulting fees		153,393		143,471
Stock-based compensation		38,038		176,459
	$	522,101	$	624,833

(Expressed in Canadian Dollars)

15. Related Party Disclosures (continued)

(b) Due to Related Parties

The Corporation has the following amounts due to related parties included in accounts payable and accrued liabilities. The amounts owing are non-interest-bearing, unsecured and due on demand.

		May 31, 2024		May 31, 2023
Directors	$	172,760	$	115,605
	$	172,760	$	115,605

16. Contingency

During the year ended May 31, 2022, a former employee who had the role of community relations manager for the Corporation's subsidiary filed a claim against the Corporation alleging he suffered an injury while working with the Corporation and is seeking compensation for damages of up to US$390,000. The former employee was employed during 2019 and has provided no evidence such injury occurred while employed by the Corporation nor if such injury was a direct result of his employment. On June 28, 2023, the court submitted the sentence, in which the Judge ruled in favor of the Corporation, declaring Mr. Castillo is not entitled to the requested severance. The Judge concluded that Mr. Castillo was not able to prove that he suffered the alleged labor accident, and therefore, there can not be any severance in his favor. Mr. Castillo filed an appeal against the first instance ruling and on appeal, the Superior Court of Lima upheld the decision of the first ruling, which dismissed the lawsuit as unfounded.

17. Subsequent Event

On August 14, 2024, the Corporation issued 2,056,650 common shares with respect to the Aija Project and paid US$75,000 (Note 5).