CHAKANA COPPER CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the unaudited condensed 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 interim consolidated financial statements of Chakana Copper Corp. (the "Corporation") have been prepared by and are the responsibility of the Corporation's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Corporation's independent auditor has not performed a review of these condensed interim consolidated financial statements.

April 28, 2021

CHAKANA COPPER CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT FEBRUARY 28, 2021 (UNAUDITED) AND MAY 31, 2020
(Expressed in Canadian Dollars)

		February 28, 2021 (unaudited)		May 31, 2020 (audited)
ASSETS				
Current Assets				
Cash and cash equivalents	$	9,194,606	$	6,680,370
Prepaids and other current assets		448,295		135,038
		9,642,901		6,815,408
Non-current Assets				
Exploration and evaluation assets (Note 4)		2,761,043		2,562,637
Property and equipment (Note 5)		745,755		890,983
Value-added tax receivable		409,393		525,815
Total Assets	$	13,559,092	$	10,794,843
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities (Notes 6 and 12)	$	790,059	$	339,068
Total Liabilities		790,059		339,068
Shareholders' Equity				
Common shares (Note 7)		35,698,781		28,740,715
Stock option reserve (Note 7(d))		2,071,549		1,145,871
Subscriptions received		25,000		-
Accumulated other comprehensive income		406,914		724,616
Deficit		(25,433,211)		(20,155,427)
		12,769,033		10,455,775
Total Liabilities and Shareholders' Equity	$	13,559,092	$	10,794,843

Nature of Operations (Note 1)
Subsequent Event (Note 14)

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 condensed interim consolidated financial statements.

CHAKANA COPPER CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020
(Unaudited – Expressed in Canadian Dollars)

	Three Months Ended February 28, 2021	Three Months Ended February 29, 2020	Nine months Ended February 28, 2021	Nine months Ended February 29, 2020
OPERATING EXPENSES				
Consulting fees	$ 71,926	$ 92,299	$ 186,709	$ 204,748
Depreciation	24,116	25,398	73,637	75,872
Exploration and evaluation expenditures (Note 8)	1,383,674	439,027	3,241,152	2,806,477
General and administrative	112,615	125,019	282,663	574,123
Investor relations	111,235	39,096	294,838	159,159
Legal and professional fees	29,715	31,415	129,843	125,669
Salaries and wages	71,233	95,785	222,943	337,488
Stock-based compensation (Note 7)	212,389	58,547	1,022,364	75,157
Travel and meals	-	45,653	1,649	110,408
Operating Expenses	(2,016,903)	(952,239)	(5,455,798)	(4,469,101)
Other				
Foreign exchange loss	(65,315)	(276,070)	(82,335)	(461,454)
Recovery of valued-added tax previously written off	(2,562)	-	126,045	-
Interest income	10,441	29,339	61,414	132,288
Net Loss	(2,074,339)	(1,198,970)	(5,350,674)	(4,798,267)
Other Comprehensive Income (Loss)				
Foreign currency translation	(33,728)	248,595	(317,702)	375,948
Comprehensive Loss	$ (2,108,067)	$ (950,375)	$ (5,668,376)	$ (4,422,319)
Basic and diluted loss per share	$ (0.02)	$ (0.01)	$ (0.06)	$ (0.05)
Weighted average number of common shares outstanding (basic and diluted)	96,187,047	94,848,199	94,227,312	95,637,803

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

CHAKANA COPPER CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020
(Unaudited – Expressed in Canadian Dollars)

	Nine Months Ended February 28, 2021	Nine Months Ended February 29, 2020
Cash Flows used in Operating Activities		
Net loss	$ (5,350,674)	$ (4,798,267)
Adjustments to reconcile net loss to cash used in operating activities		
Depreciation	73,637	75,872
Stock-based compensation	1,022,364	75,157
Unrealized foreign exchange	(35,035)	470,850
Prepaids and other current assets	(313,257)	65,209
Value-added tax receivable	28,281	(106,976)
Accounts payable and accrued liabilities	450,991	(172,480)
	(4,123,693)	(4,390,635)
Cash Flows used in Investing Activities		
Purchase of equipment	(22,680)	(91,237)
Acquisition of exploration and evaluation assets	(223,451)	(362,028)
	(246,131)	(453,265)
Cash Flows provided by Financing Activities		
Exercise of options	30,000	-
Proceeds from private placement, net of share issue costs	6,904,270	-
Subscriptions received	25,000	-
	6,959,270	-
Foreign exchange effect on cash	(75,210)	(5,337)
Changes in cash during the period	2,514,236	(4,849,237)
Cash and cash equivalents – beginning of the period	6,680,370	12,279,037
Cash and cash equivalents – end of the period	$ 9,194,606	$ 7,429,800
Cash and cash equivalents consists of		
Cash	$ 7,194,606	$ 4,929,800
Demand deposit – guaranteed investment certificates	2,000,000	2,500,000
	$ 9,194,606	$ 7,429,800

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

CHAKANA COPPER CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Expressed in Canadian Dollars)

	Common Shares							
	Shares	**Amount**	**Subscriptions Received**	**Accumulated Other Comprehensive Income (Loss)**	**Warrant Reserve**	**Stock Option Reserve**	**Deficit**	**Total**
Balance – May 31, 2019	97,199,847	$ 29,974,224	$ -	$ 388,082	$ 1,133,947	$ 1,512,084	$ (17,530,144)	$ 15,478,193
Cancellation of shares	(4,000,000)	(1,233,509)	-	-	-	-	1,233,509	-
Other comprehensive income for the period		-	-	375,948	-	-	-	375,948
Stock-based compensation		-	-	-	-	75,157	-	75,157
Net loss for the period		-	-	-	-	-	(4,798,267)	(4,798,267)
Balance – February 29, 2020	93,199,847	28,740,715	-	764,030	1,133,947	1,587,241	(21,094,902)	11,131,031
Other comprehensive income for the period		-	-	(39,414)	-	-	-	(39,414)
Stock-based compensation		-	-	-	-	179,236	-	179,236
Fair value of cancelled options and warrants		-	-	-	(1,133,947)	(620,606)	1,754,553	-
Net loss for the period		-	-	-	-	-	(815,078)	(815,078)
Balance – May 31, 2020	93,199,847	28,740,715	-	724,616	-	1,145,871	(20,155,427)	10,455,775
Shares issued on private placement	14,186,000	7,093,000	-					7,093,000
Share issue costs		(188,730)	-					(188,730)
Exercise of options	150,000	53,796	-	-	-	(23,796)	-	30,000
Subscriptions received			25,000					25,000
Other comprehensive loss for the period		-	-	(317,702)	-	-	-	(317,702)
Fair value of options cancelled/expired		-	-	-	-	(72,890)	72,890	-
Stock-based compensation		-	-	-	-	1,022,364	-	1,022,364
Net loss for the period		-	-	-	-	-	(5,350,674)	(5,350,674)
Balance – February 28, 2021	107,535,847	$ 35,698,781	$ 25,000	$ 406,914	$ -	$ 2,071,549	$ (25,433,211)	$ 12,769,033

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

1. Nature of Operations

Chakana Copper Corp. (the "Corporation") 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 800 West Pender Street, Suite 1430, Vancouver, British Columbia, V6C 2V6, 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 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.

The outbreak of the coronavirus, also known as COVID-19, continues to impact worldwide economic activity. The extent to which the coronavirus may impact the Corporation's business activities will depend on future developments, such as the ultimate geographic spread of the disease, duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and, as such, the Corporation cannot determine their long-term financial impact at this time. Federal, provincial and local governments have issued public health orders in response to COVID-19, which may cause some delay in the Corporation's operations.

2. Basis of Preparation and Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as applicable to interim financial reports, including International Accounting Standard 34 *Interim Financial Reporting*. Therefore, these condensed interim consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended May 31, 2020 ("Annual Financial Statements"), which have been prepared in accordance with IFRS.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are the same as those applied in the most recent Annual Financial Statements and were consistently applied to all the periods presented.

These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars, the Corporation's functional currency, unless otherwise specified.

The Corporation's condensed interim 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.

3. Significant Accounting Judgments and Estimates

The preparation of the Corporation's condensed interim 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 condensed interim consolidated 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.

Judgments that have the most significant effect on the amounts recognized in the Corporation's condensed interim 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.

- *Value-added Tax Receivable*

  The Corporation has a signed agreement with the Peruvian Ministry of Energy and Mines to receive a refund on value-added taxes for certain exploration related expenditures incurred by the Corporation in Peru, prior to the Corporation generating sales. These value-added tax receivables are subject to review by the Peruvian tax authorities. Management is required to assess the likelihood of approval for the expenditures filed for refund and collectability of the value-added tax receivables from the Peruvian Ministry of Energy and Mines.

- *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.

- *Functional Currency*

  The functional currency for the Corporation's subsidiary, 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 may reconsider the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

(Unaudited – Expressed in Canadian Dollars)

4. Exploration and Evaluation Assets

		Condor Option		Aija Project		Total
Balance – May 31, 2019	$	1,880,111	$	282,941	$	2,163,052
Acquisition costs		212,072		180,698		392,770
Foreign exchange on translation		3,680		3,135		6,815
Balance – May 31, 2020		2,095,863		466,774		2,562,637
Acquisition costs		322,172		101,509		423,681
Foreign exchange on translation		(154,458)		(70,817)		(225,275)
Balance – February 28, 2021	$	2,263,577	$	497,466	$	2,761,043

The Corporation's wholly owned indirect subsidiary, Chakana Resources S.A.C., holds (i) the option to acquire a 100% ownership interest in the Soledad Project ("Condor Option"), (ii) holds an option to acquire a 100% ownership interest in the adjacent Aija Project, Peru ("Aija Project"), and (iii) holds 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.

(a) Condor Option

On April 17, 2017, the Corporation entered into a Mining Assignment and Option Agreement 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 closing date for the Agreement was June 23, 2017.

The Corporation's option to acquire rights and interests in the Soledad Project 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 nine months ended February 28, 2021, the Corporation renegotiated the payment schedule.

The option exercise cash payment schedule is as follows:

Installment	Date		Amount (in US$)
1	February 2017 (paid)	$	10,000
2	Upon signing the Agreement on April 17, 2017 (paid)		15,000
3	December 23, 2017 (paid)		25,000
4	June 23, 2018 (paid)		50,000
5	December 23, 2018 (paid)		50,000
6	June 23, 2019 (paid)		75,000
7	December 23, 2019 (paid)		75,000
8	June 23, 2020 (paid)		100,000
9	December 23, 2020 (paid)		150,000
10	June 23, 2021		200,000
11	December 23, 2021		200,000
12	April 23, 2022		4,425,000
	Total	**$**	**5,375,000**

As at February 28, 2021, the Corporation has paid instalments 1 to 9, totaling US $550,000. The June 23, 2018 instalment was accompanied with the issuance of 500,000 shares of the Corporation (Note 7).

(Unaudited – Expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

(a) Condor Option (continued)

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 pre-royalty payment obligation was reduced from 2% to 1%, with the Corporation having the right to re-purchase 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 Condor's Soledad concessions, Condor has the right to purchase 50% of the NSR (or 0.5% NSR) for US $1,000,000.

Pursuant to the Agreement, the Corporation must complete 12,500 metres of exploration drilling at 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.

(b) Aija Project

On March 20, 2018, the Corporation entered into an Option Agreement (the "Option") with an arm's length third-party to acquire 100% of the rights and interest in the Aija Project subject to a 2% NSR. During the nine months ended February 28, 2021, the Corporation renegotiated the payment schedule.

The option exercise cash payments schedule is as follows:

Installment	Date		Amount (in US$)
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		100,000
8	November 1, 2021		100,000
9	May 1, 2022		100,000
10	November 1, 2022		100,000
11	May 1, 2023		1,500,000
	Total	$	**2,300,000**

As at February 28, 2021, the Company has paid instalments 1 to 6, totalling US $400,000.

Under the terms of the 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.

(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 to complete a minimum of 2,000 metres of drilling and produce a Preliminary Economic Assessment report compliant with National Instrument 43-101 *Standards of Disclosure for Mineral Projects*. Upon exercise of the option, Barrick will retain a 2% NSR subject to the Corporation's right to purchase 50% of the royalty for US $2,000,000.

(Unaudited – Expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

(c) Barrick Option (continued)

Barrick will have a one-time right to reacquire a 70% interest in the concessions within 120 days of exercising the option (the "Back-In Closing Date") 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.

5. Property and Equipment

		Equipment
Cost		
As at May 31, 2020	$	1,105,421
Additions		47,441
Foreign exchange on translation		(151,885)
As at February 28, 2021	$	1,000,977
Accumulated Depreciation		
As at May 31, 2020	$	(214,438)
Depreciation		(69,846)
Foreign exchange on translation		29,062
As at February 28, 2021	$	(255,222)
Net Book Value		
As at May 31, 2020	$	890,983
As at February 28, 2021	$	745,755

6. Accounts Payable and Accrued Liabilities

		February 28, 2021		May 31, 2020
Accounts payable	$	688,422	$	287,485
Accrued liabilities		101,637		51,583
	$	790,059	$	339,068

7. Share Capital

(a) Authorized Share Capital

The Corporation is authorized to issue an unlimited number of common shares without par value. As at February 28, 2021, nil (May 31, 2020 - 7,390,501) common shares are held in escrow.

(Unaudited – Expressed in Canadian Dollars)

7. Share Capital (continued)

(b) Issued Capital

During the nine months ended February 28, 2021, the Corporation

- Completed the first tranche of a non-brokered private placement of 14,186,000 common shares at a price of $0.50 per common share for gross proceeds of $7,093,000.
- issued 150,000 common shares on exercise of options for total proceeds of $30,000.
- Subsequent to February 28, 2021, the Corporation completed the second and final tranche of its non-brokered private placement issuing an additional 3,874,516 common shares at a price of $0.50 per common share for gross proceeds of $1,937,258. As at February 28, 2021, the Corporation had received subscriptions of $25,000 towards this tranche.

During the year ended May 31, 2020, no common shares were issued by the Corporation.

- On October 4, 2019, the Corporation signed a settlement agreement with a former employee to return to treasury for cancellation 4,000,000 common shares of the Corporation as reimbursement for misappropriated funds and related loss to the Corporation. These shares represent 100% of the former employee's shareholding in the Corporation. These 4,000,000 common shares were cancelled on November 14, 2019. A reduction of $1,233,509 in share capital has been recorded against deficit within shareholders' equity. This amount was calculated as a reduction of average share capital cost at the time the shares were cancelled.

(c) Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted Average Exercise Price	Number of Shares Issued or Issuable on Exercise
Balance – May 31, 2019	$0.57	1,626,066
Expiry of warrants	$0.57	(1,626,066)
Balance – May 31, 2020 and February 28, 2021	-	-

(d) 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.

(Unaudited – Expressed in Canadian Dollars)

7. Share Capital (continued)

(d) Stock Options (continued)

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, 2019	$0.46	4,010,000
Granted	$0.20	2,175,000
Cancellation of stock options	$0.40	(1,525,000)
Balance – May 31, 2020	$0.34	4,660,000
Granted	$0.40	2,050,000
Exercised	$0.20	(150,000)
Cancellation of stock options	$0.69	(150,000)
Balance – February 28, 2021	$0.36	6,410,000

On November 14, 2019, the Corporation cancelled 1,000,000 stock options related to a former employee.

During the nine months ended February 28, 2021, the Corporation granted 2,050,000 (year ended May 31, 2020 - 2,175,000) incentive stock options to employees and consultants exercisable for a period of 5 years (2020 - 1,475,000 within 5 years and 700,000 within 3 years) at a price of $0.40 (2020 - $0.20).

The fair value of options has been estimated using the Black-Scholes option pricing model, assuming a risk-free interest rate ranging from 0.32% to 0.41% (2020 - 1.53% to 1.64%) per annum, an expected life of options of 5 years (2020 - 2 to 5 years), an expected volatility ranging from 96.70% to 107.33% (2020 - 96.39% to 99.11%) and no expected dividends.

Incentive stock options outstanding and exercisable at February 28, 2021 are summarized as follows:

Expiry Date	Exercise Price	February 28, 2021	May 31, 2020
September 14, 2022	$0.40	2,235,000	2,235,000
February 5, 2023	$0.20	700,000	700,000
March 29, 2023	$0.94	200,000	300,000
December 12, 2024	$0.20	1,225,000	1,425,000
July 10, 2025	$0.40	2,050,000	-
Total outstanding options	$0.36	6,410,000	4,660,000
Total exercisable options	$0.39	5,153,750	3,203,750

8. Exploration and Evaluation Expenditures

The Corporation incurred exploration and evaluation expenditures as follows:

	Three Months Ended February 28, 2021	Three Months Ended February 29, 2020	Nine months Ended February 28, 2021	Nine months Ended February 29, 2020
Drilling	$ 579,024	$ -	$ 1,292,895	$ 749,465
Exploration support and administration	318,141	264,971	902,405	892,399
Field operations and consumables	213,111	76,578	489,867	645,864
Geological consultants	51,319	67,631	140,326	173,804
Sampling and geological costs	120,456	2,030	244,814	170,590
Transportation	101,623	27,817	170,845	174,355
	$ 1,383,674	$ 439,027	$ 3,241,152	$ 2,806,477

9. Financial Instruments

Fair Value

The Corporation's financial instruments consist of cash and cash equivalents. The fair values of cash and cash equivalents approximate their carrying values due to their current nature.

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 and short-term investments, which are being held in bank accounts. The cash and short-term investments are 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 ratings agencies. The Corporation has secondary exposure to risk on its sales tax receivables. The risk is minimal since it is recoverable from the Canadian government.

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 February 28, 2021 and May 31, 2020, the Corporation has not hedged its exposure to currency fluctuations.

At February 28, 2021 and May 31, 2020, the Corporation is exposed to currency risk through the following assets and liabilities denominated in Peruvian soles and US dollars:

	February 28, 2021		May 31, 2020	
	Soles	**US$**	**Soles**	**US$**
Cash and cash equivalents	52,886	1,082,437	19,255	120,054
Accounts payable and accrued liabilities	(1,683,775)	(24,777)	(208,472)	(28,958)
Net	(1,630,889)	1,057,660	(189,217)	91,096
Canadian dollar equivalent	(566,733)	1,341,643	(75,384)	124,163

(Unaudited – Expressed in Canadian Dollars)

9. Financial Instruments (continued)

Based on the above net exposures as at February 28, 2021, a 5% (2020 - 5%) change in the Canadian dollar/Peruvian sol and Canadian/US dollars exchange rate would impact the Corporation's income (loss) and comprehensive income (loss) by approximately $28,000 and $67,000 (May 31, 2020 - $3,800 and $6,200), 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 February 28, 2021, the Corporation has cash and cash equivalents of $9,194,606 (May 31, 2020 - $6,680,370) and current liabilities of $790,059 (May 31, 2020 - $339,068).

10. 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.

11. 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 February 28, 2021			
Current assets	$ 9,303,029	$ 339,872	$ 9,642,901
Property and equipment	-	745,755	745,755
Exploration and evaluation assets	-	2,761,043	2,761,043
Value-added tax receivable	-	409,393	409,393
	$ 9,303,029	$ 4,256,063	$ 13,559,092
As at May 31, 2020			
Current assets	$ 6,697,388	$ 118,020	$ 6,815,408
Property and equipment	-	890,983	890,983
Exploration and evaluation assets	-	2,562,637	2,562,637
Value-added tax receivable	-	525,815	525,815
	$ 6,697,388	$ 4,097,455	$ 10,794,843

(Unaudited – Expressed in Canadian Dollars)

12. 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

During the nine months ended February 28, 2021 and February 29, 2020, the Corporation paid and/or accrued the following fees to key management personnel:

		February 28, 2021		February 29, 2020
Management	$	196,741	$	267,516
Directors		108,430		122,474
	$	305,171	$	389,990

(b) Due to Related Parties

As at February 28, 2021 and May 31, 2020, the Corporation had the following amounts due to related parties:

		February 28, 2021		May 31, 2020
Directors	$	48,592	$	43,143
	$	48,592	$	43,143

13. Commitments under Operating Leases

The Corporation leases various premises under operating leases that expire from February 28, 2021 to July 31, 2021. The Corporation is obligated to make $75,244 in minimum lease payments under the premise leases in the fiscal year to end May 31, 2021.

14. Subsequent Event

Subsequent to February 28, 2021, the Corporation completed the second and final tranche of its non-brokered private placement issuing an additional 3,874,516 common shares at a price of $0.50 per common share for gross proceeds of $1,937,258. As at February 28, 2021, the Corporation had received subscriptions of $25,000 towards this tranche.

Subsequent to February 28, 2021, the Company granted 3,600,000 incentive stock options to directors, officers and consultants. Each option may be exercised on or before April 22, 2026 at a price of $0.50.