



**CHAKANA COPPER CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MAY 31, 2025 AND 2024**

**(EXPRESSED IN CANADIAN DOLLARS)**

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF CHAKANA COPPER CORP.

#### *Opinion*

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

- ♦ the consolidated statements of financial position as at May 31, 2025 and 2024;
- ♦ the consolidated statements of loss and comprehensive loss for the years then ended;
- ♦ the consolidated statements of changes in shareholders' equity for the years then ended;
- ♦ the consolidated statements of cash flows 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, 2025 and 2024, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

#### *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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our 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 \$10,004,821 during the year ended May 31, 2025 and, as of that date, the Company has a deficit of \$50,318,745 and a working capital deficiency of \$405,619. 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, 2025. 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 other key audit matters to communicate in our auditor's report.

#### VANCOUVER

1700-475 Howe St  
Vancouver, BC V6C 2B3  
T: 604 687 1231  
F: 604 688 4675

#### LANGLEY

600-19933 88 Ave  
Langley, BC V2Y 4K5  
T: 604 282 3600  
F: 604 357 1376

#### NANAIMO

201-1825 Bowen Rd  
Nanaimo, BC V9S 1H1  
T: 250 755 2111  
F: 250 984 0886

### *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 auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

#### **VANCOUVER**

1700-475 Howe St  
Vancouver, BC V6C 2B3  
T: 604 687 1231  
F: 604 688 4675

#### **LANGLEY**

600-19933 88 Ave  
Langley, BC V2Y 4K5  
T: 604 282 3600  
F: 604 357 1376

#### **NANAIMO**

201-1825 Bowen Rd  
Nanaimo, BC V9S 1H1  
T: 250 755 2111  
F: 250 984 0886

- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

#### VANCOUVER

1700-475 Howe St  
Vancouver, BC V6C 2B3  
T: 604 687 1231  
F: 604 688 4675

#### LANGLEY

600-19933 88 Ave  
Langley, BC V2Y 4K5  
T: 604 282 3600  
F: 604 357 1376

#### NANAIMO

201-1825 Bowen Rd  
Nanaimo, BC V9S 1H1  
T: 250 755 2111  
F: 250 984 0886



The engagement partner on the audit resulting in this independent auditor's report is Hervé Leong-Chung.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia

September 29, 2025

**VANCOUVER**

1700-475 Howe St  
Vancouver, BC V6C 2B3  
T: 604 687 1231  
F: 604 688 4675

**LANGLEY**

600-19933 88 Ave  
Langley, BC V2Y 4K5  
T: 604 282 3600  
F: 604 357 1376

**NANAIMO**

201-1825 Bowen Rd  
Nanaimo, BC V9S 1H1  
T: 250 755 2111  
F: 250 984 0886

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

		<b>May 31, 2025</b>		<b>May 31, 2024</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$	158,124	\$	2,280,298
Prepays and other current assets		164,722		166,939
		322,846		2,447,237
<b>Non-current Assets</b>				
Property and equipment (Note 6)		125,998		419,138
Value-added tax receivable (Note 7)		69,150		88,713
Prepays		59,707		75,534
Exploration and evaluation assets (Note 5)		624,986		7,800,296
<b>Total Assets</b>	\$	1,202,687	\$	10,830,918
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities (Notes 12 and 15)	\$	728,465	\$	639,465
Current portion of lease obligation (Note 8)		-		53,233
		728,465		692,698
<b>Non-current Liabilities</b>				
Lease obligation (Note 8)		-		58,204
<b>Total Liabilities</b>		728,465		750,902
<b>Shareholders' Equity</b>				
Common shares (Note 9)		47,622,191		47,550,208
Reserves (Note 9)		1,687,924		2,299,156
Accumulated other comprehensive income		1,482,852		1,155,808
Deficit		(50,318,745)		(40,925,156)
<b>Total Shareholders' Equity</b>		474,222		10,080,016
<b>Total Liabilities and Shareholders' Equity</b>	\$	1,202,687	\$	10,830,918

Approved on behalf of the Board of Directors

/s/ David Kelley

David Kelley, 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)*

	<b>May 31, 2025</b>	<b>May 31, 2024</b>
<b>OPERATING EXPENSES</b>		
Consulting fees (Note 15)	\$ 206,582	\$ 194,757
Depreciation (Note 6)	95,645	96,524
Exploration and evaluation expenditures (Note 5 and 10)	1,082,631	1,395,345
General and administrative	131,315	274,075
Investor relations	35,276	71,621
Legal and professional fees (Note 15)	150,653	160,541
Salaries and wages (Note 15)	288,863	309,751
Stock-based compensation (Notes 9 and 15)	-	49,445
Travel and meals	17,554	12,577
<b>Operating Expenses</b>	<b>(2,008,519)</b>	<b>(2,564,636)</b>
<b>Other</b>		
Foreign exchange loss	(12,718)	(55,494)
Loss on disposal of assets and early termination of lease (Note 8)	(171,272)	(73)
Impairment of mineral properties (Note 5)	(7,831,339)	-
Interest income	19,027	32,684
	<b>(7,996,302)</b>	<b>(22,883)</b>
<b>Net Loss</b>	<b>(10,004,821)</b>	<b>(2,587,519)</b>
<b>Other Comprehensive Loss</b>		
<b>Item that may be reclassified to profit or loss</b>		
Foreign currency translation	327,044	(20,380)
<b>Comprehensive Loss</b>	<b>\$ (9,677,777)</b>	<b>\$ (2,607,899)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.36)</b>	<b>\$ (0.12)</b>
<b>Weighted average number of common shares outstanding (basic and diluted)</b>	<b>28,129,236</b>	<b>20,839,396</b>

*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)*

	<b>May 31, 2025</b>	<b>May 31, 2024</b>
<b>Cash Flows Used in Operating Activities</b>		
Net loss	\$ (10,004,821)	\$ (2,587,519)
Adjustments to reconcile net loss to cash used in operating activities		
Depreciation	95,645	96,524
Stock-based compensation	-	49,445
Unrealized foreign exchange	(42,559)	40,750
Impairment of mineral properties	7,831,339	-
Loss on disposal of assets and early termination of lease	171,272	-
Prepays and other current assets	36,820	(1,748)
Value-added tax receivable	19,563	165,750
Accounts payable and accrued liabilities	89,000	255,596
	<b>(1,803,741)</b>	<b>(1,981,202)</b>
<b>Cash Flows Used in Investing Activities</b>		
Leasehold improvements and purchase of equipment	-	(1,988)
Acquisition of exploration and evaluation assets	(277,998)	(1,624,184)
	<b>(277,998)</b>	<b>(1,626,172)</b>
<b>Cash Flows Provided by Financing Activities</b>		
Repayment of lease obligation	(43,680)	(38,974)
Proceeds from private placement	-	3,000,034
Share issue cost	-	(117,163)
Shares issued on exercise of warrants	-	790,731
	<b>(43,680)</b>	<b>3,634,628</b>
<b>Changes in cash during the year</b>	<b>(2,125,419)</b>	<b>27,254</b>
<b>Foreign exchange on cash</b>	<b>3,245</b>	<b>1,679</b>
<b>Cash – beginning of the year</b>	<b>2,280,298</b>	<b>2,251,365</b>
<b>Cash – end of the year</b>	<b>\$ 158,124</b>	<b>\$ 2,280,298</b>
<b>Non-cash items</b>		
Shares issued for property	\$ 71,983	\$ 284,818
Value of options/warrants expired	\$ 611,232	\$ 111,636
Amendment to lease agreement	\$ 244,267	\$ 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)*

	<u>Common Shares</u>				Accumulated Other Comprehensive Income	Deficit	Total
	Shares	Amount	Reserves				
<b>Balance – May 31, 2023</b>	17,301,331	\$ 43,716,860	\$ 2,236,275	\$	1,176,188	\$ (38,449,273)	\$ 8,680,050
Units issued on private placement	7,500,085	3,000,034	-	-	-	-	3,000,034
Share issue costs	-	(248,448)	131,285	-	-	-	(117,163)
Shares issued for property	375,884	284,818	-	-	-	-	284,818
Exercise warrants for cash	1,317,885	796,944	(6,213)	-	-	-	790,731
Fair value of expired warrants	-	-	(111,636)	-	-	111,636	-
Other comprehensive loss 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)
<b>Balance – May 31, 2024</b>	26,495,185	47,550,208	2,299,156		1,155,808	(40,925,156)	10,080,016
Shares issued for property	205,665	71,983	-	-	-	-	71,983
Fair value of expired options	-	-	(611,232)	-	-	611,232	-
Other comprehensive income for the year	-	-	-	327,044	-	-	327,044
Net loss for the year	-	-	-	-	-	(10,004,821)	(10,004,821)
<b>Balance – May 31, 2025</b>	26,700,850	\$ 47,622,191	\$ 1,687,924	\$	1,482,852	\$ (50,318,745)	\$ 474,222

*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. As at May 31, 2025, the Corporation has a deficit of \$50,318,745 (2024 - \$40,925,156) and a working capital deficiency of \$405,619 (2024 - working capital of \$1,754,539). During the year ended May 31, 2025, the Corporation incurred a net loss of \$10,004,821 (2024 - \$2,587,519) which includes the impairment of the Condor and Aija options (note 5). The Corporation will require further financing to meet its financial obligations, fund its exploration programs, and sustain its operations in the normal course of business. Management is seeking additional sources of financing through equity or debt offerings and joint venture partners to fund exploration. 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. 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 IFRS Accounting Standards, as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). These consolidated financial statements were approved by the Board of Directors on September 29, 2025.

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 subsidiary. 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 depreciation 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. During the year the Corporation relinquished the Condor and Aija projects and recognized an impairment charge related to these projects (note 5). Management has assessed its exploration and evaluation assets as one CGU, being the La Joya Project, which comprises of the Barrick Option and certain claims owned by the Corporation (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) 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.

#### (g) 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.

### **3. Material Accounting Policies (continued)**

#### **(h) 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.

#### **(i) 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 Accounting Standards, 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.

#### **(j) 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.

### 3. Material Accounting Policies (continued)

#### (k) 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.

#### (l) 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 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.

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.

### 3. Material Accounting Policies (continued)

#### (I) Financial Instruments (continued)

##### **Financial Assets (continued)**

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 at amortized cost.

#### **4. Significant Accounting Judgments and Estimates**

The preparation of the Corporation's consolidated financial statements in conformity with IFRS Accounting Standards 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.

- ***Value Added Tax ("VAT")***

Management's judgment 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, 2025 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.



#### 4. Significant Accounting Judgments and Estimates (continued)

##### **Critical accounting estimates:**

- *Recoverable value of exploration and evaluation assets*

Determining whether facts and circumstances indicate an impairment loss or a reversal of a previously recognized impairment loss is a subjective process that involves significant judgment, estimates, and interpretations.

When an indication of impairment or reversal exists, management is required to estimate the recoverable amount of the individual asset. In assessing recoverable amounts, management applies various assumptions about future events and circumstances, including estimates of commodity prices, operating and capital costs, discount rates, production profiles, and other factors that may affect expected future cash flows. These assumptions are inherently uncertain and subject to change as new information becomes available.

Actual results may differ from these estimates, and such differences could have a material impact on the carrying value of assets.

- *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

	<b>Condor Option</b>	<b>Aija Project</b>	<b>Barrick and other</b>	<b>Total</b>
<b>Balance – May 31, 2023</b>	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)
<b>Balance – May 31, 2024</b>	\$ 5,608,732	\$ 1,847,206	\$ 344,358	\$ 7,800,296
Reclassification	(328,209)	-	328,209	-
Acquisition costs	29,273	309,349	11,358	349,980
Foreign exchange on translation	223,782	81,546	719	306,047
Impairment	(5,533,578)	(2,238,101)	(59,660)	(7,831,339)
<b>Balance – May 31, 2025</b>	\$ -	\$ -	\$ 624,984	\$ 624,984

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

- An option to acquire up to a 100% ownership in mineral concessions owned by Barrick (the "Barrick Option") subject to certain "back-in" rights; and
- A 1% net smelter return royalty right ("NSR") on the Condor Concessions plus a 2 km area of interest.

The Barrick option is referred to as the "La Joya Project".

The Corporation is the operator of all related mineral exploration activities on these projects. During the year, the Corporation relinquished its concessions under the Condor and Aija option agreements. These concessions, together with concessions acquired from Barrick option agreement other adjoining concessions, were collectively considered as the Condor Project. As a result of the relinquishment, certain amounts that had previously been recorded within the Condor Project were reclassified to the Barrick and other, as they related to exploration activities that are independent of the Condor option agreements.

## 5. Exploration and Evaluation Assets (continued)

### (a) 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 *Standards of Disclosure for Mineral Projects*. 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 (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 ("Back-in"). 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.

### (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. Under the terms of the agreement and subsequent amendments, the Corporation was to pay a total of US\$2,100,000 and issue shares equivalent to US\$500,000 using the price which is 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 February 28, 2025, the Corporation has paid a total of US\$1,250,000 and issued a total of 792,030 Shares.

On February 11, 2025, the Corporation announced that the Board decided to relinquish its option to acquire an interest on the Aija Project given insufficient resources identified during exploration. The required payments to keep the option were in excess of what the Board determined to be the value of the project. As a result, the Corporation recognized an impairment of \$2,238,101 using a fair value less costs of disposal measure. The Corporation has no obligation to pay any of the remaining \$850,000 option payments or issue any additional shares.

### (c) 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"), a subsidiary of Condor Resources Inc. ("Condor"), pursuant to which the Corporation had 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% NSR.

The Condor Option was exercisable by issuing 50,000 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 whereby the final payment of US\$4.425 million dollars which was due to Condor on April 23, 2022, was extended and Chakana may complete the exercise of the option by making cash and share payments over the following three-year period. During the term of this option agreement and up to October 8, 2024, the Corporation made total payments of US\$2,950,000 and issued 325,862 shares related to the option agreement.

## 5. Exploration and Evaluation Assets (continued)

### (c) Condor Option (continued)

On October 8, 2024, the Corporation announced that the Board decided to relinquish its option to acquire three concessions from Condor Resources Inc. given insufficient resources identified during exploration. The required payments to keep the option were in excess of what the board determined to be the value of the project. As a result, the Corporation recognized an impairment of \$5,533,578 using a fair value less costs of disposal measure.

As part of a previous royalty purchase agreement with Condor, Condor has granted a 1% NSR in favor of the Corporation over the Condor Concessions with a 2 km area of interest. Condor will have the right to purchase half of the royalty (0.5%) for US\$1,000,000. The Corporation controls the surface rights over the expanded Soledad project, including the Condor Concessions, which means that Condor will not have access to the Condor Concessions without establishing an access agreement with the Corporation.

The Corporation has no additional obligation to pay any of the US\$2,425,000 option payments or issue any of the shares that were remaining under the option agreement.

## 6. Property and Equipment

	Right-of-use Asset	Equipment	Total
<b>Cost</b>			
<b>As at May 31, 2023</b>	286,976	619,228	906,204
Foreign exchange on translation	(4,053)	(8,378)	(12,431)
Amendment to lease agreement	(25,005)	-	(25,005)
<b>As at May 31, 2024</b>	\$ 257,918	\$ 610,850	\$ 868,768
Amendment to lease agreement	244,267	-	244,267
Foreign exchange on translation	6,592	23,389	29,981
Disposal and termination of lease agreement	(508,777)	(230,667)	(739,444)
<b>As at May 31, 2025</b>	\$ -	\$ 403,572	\$ 403,572
<b>Accumulated Depreciation</b>			
<b>As at May 31, 2023</b>	(119,614)	(237,912)	(357,526)
Depreciation	(49,260)	(47,264)	(96,524)
Foreign exchange on translation	1,355	3,065	4,420
<b>As at May 31, 2024</b>	\$ (167,519)	\$ (282,111)	\$ (449,630)
Depreciation	(47,528)	(48,117)	(95,645)
Foreign exchange on translation	(5,449)	(10,843)	(16,292)
Disposal	220,496	63,497	283,993
<b>As at May 31, 2025</b>	\$ -	\$ (277,574)	\$ (277,574)
<b>Net Book Value</b>			
<b>As at May 31, 2024</b>	\$ 90,399	328,739	419,138
<b>As at May 31, 2025</b>	\$ -	125,998	125,998

## 7. VAT Receivable

		May 31 2025		May 31, 2024
VAT receivable	\$	69,150	\$	88,713

As at May 31, 2025, the Corporation has \$69,150 (May 31, 2024 - \$88,713) 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, 2025, the Corporation received VAT in the amount of 67,427 soles (\$25,602) (2024 - 633,689 soles (\$231,296)). 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, 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
Amendment to lease agreement		262,559
Interest expense		18,776
Lease payments		(43,680)
Currency translation adjustment		(11,801)
Termination of lease		(337,291)
Balance – May 31, 2025	\$	-

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. In 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. In June 2024, the Corporation extended its lease agreement for an additional five-year term at a monthly payment of 10,000 soles. As a result, the right-of-use asset increased by \$244,262 and the corresponding lease liability increased by \$262,559. 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 5.99%.

## 9. Share Capital

### (a) Authorized Share Capital

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

Effective February 28, 2025, the Corporation completed the consolidation of its common shares on the basis of one new-post consolidation common share for every ten pre-consolidation common shares. All share data in these consolidated financial statements have given effect to this consolidation on a retroactive basis.

### (b) Issued Capital

During the year ended May 31, 2025, the Corporation issued common shares ("Shares") as follows:

- On August 14, 2024, the Corporation issued 205,665 common shares with respect to the Aija Option and paid US\$75,000 (note 5).

## **9. Share Capital (continued)**

### **(b) Issued Capital (continued)**

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

- During June 2023, the Corporation issued 137,931 shares valued at \$82,558 as part of the Condor Option.
- On November 6, 2023, the Corporation completed the first tranche of a non-brokered private placement of 2,054,149 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 \$0.60 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 \$0.90. The Corporation paid aggregate finder's fees of \$13,720 and issued 34,300 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 \$0.60 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-Scholes option pricing model.
- On January 15, 2024, the Corporation completed the second and final tranche of a private placement issuing 5,445,936 units of the Corporation at a price of \$0.40 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 \$0.60 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 \$0.90. 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 Corporation issued 237,953 shares valued at \$202,260 as part of the Aija Option.
- During the year ended May 31, 2024, 1,317,885 shares were issued on exercise of warrants for total proceeds of \$790,731.

## 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
<b>Balance – May 31, 2023</b>	\$4.10	898,500
Granted	\$0.75	420,000
Forfeited/Cancelled	\$3.70	(316,000)
<b>Balance – May 31, 2024</b>	\$2.80	1,002,500
Expired	\$3.16	(272,500)
<b>Balance – May 31, 2025</b>	\$2.65	730,000

Incentive stock options outstanding and exercisable at May 31, 2025 and May 31, 2024 are summarized as follows:

Expiry Date	Exercise Price	May 31, 2025	May 31, 2024
December 12, 2024	\$2.00	-	90,000
July 10, 2025*	\$4.00	135,000	165,000
April 22, 2026	\$5.00	222,500	327,500
September 29, 2027	\$0.75	372,500	420,000
Weighted average life remaining		1.48	2.25
Total outstanding options	\$2.65	730,000	1,002,500
Total exercisable options	\$2.80	730,000	1,002,500

\*The options expired unexercised on the date of expiry.

## 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
<b>Balance – May 31, 2023</b>	\$1.40	3,129,435
Issued	\$0.60	7,833,995
Expired	\$0.90	(1,136,647)
Exercised	\$0.60	(1,317,885)
<b>Balance – May 31, 2024</b>	\$0.90	8,508,898
Expired	\$1.40	(2,888,353)
<b>Balance – February 28, 2025</b>	\$0.60	5,620,545

During the year ended May 31, 2024, the Corporation issued 7,500,085 investor warrants and 333,910 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, 2024, the Corporation extended the term of 2,836,979 share purchase warrants that were set to expire on May 20, 2024 and June 21, 2024 with an exercise price of \$2.00 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 N/A (2024 - 3.86%) per annum, an expected life of N/A (2024 - 2 years), a weighted average volatility of N/A (2024 - 105.18%) based on historical data and no expected dividends. The Corporation has estimated the dividend and forfeiture rate to be N/A (2024 - 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, 2025 and 2024 are summarized as follows:

Expiry Date	Exercise Price	May 31, 2025	May 31, 2024
June 21, 2024	\$0.20	-	51,373
October 31, 2024	\$1.40	-	2,836,979 <sup>(1)</sup>
January 12, 2026	\$0.60	5,620,546 <sup>(2)</sup>	5,620,546 <sup>(2)</sup>
<b>Total outstanding warrants</b>	<b>\$0.90</b>	<b>5,620,546</b>	<b>8,508,898</b>

<sup>(1)</sup> 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 \$3.00 per unit.

<sup>(2)</sup> 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 \$0.90 per unit.

## 10. Exploration and Evaluation Expenditures

The Corporation incurred exploration and evaluation expenditures as follows:

	Year ended May 31, 2025	Year ended May 31, 2024
Drilling	\$ 233,161	\$ 350,500
Exploration support and administration	593,228	644,299
Field operations and consumables	129,201	205,103
Geological consultants	65,215	45,239
Permitting and environmental consulting	40,897	116,386
Sampling and geological costs	299	5,562
Transportation	20,630	28,256
	<b>\$ 1,082,631</b>	<b>\$ 1,395,345</b>

## 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, 2025	Year ended May 31, 2024
Loss before income taxes	\$ (10,004,821)	\$ (2,587,519)
Statutory tax rate	27%	27%
Recovery at statutory rate	(2,701,302)	(698,630)
Effect of different foreign statutory rates	(218,068)	(32,075)
Origination and reversal of temporary differences	2,362,788	167,526
Permanent differences	103,417	17,464
Foreign exchange on timing differences	(156,950)	124,537
Net change in benefits of tax attributes not recognized	610,115	421,178
	<b>\$ -</b>	<b>\$ -</b>

### Tax Attributes Not Recognized

	May 31, 2025	May 31, 2024
Non-capital losses and deferred exploration costs	\$ 42,641,503	\$ 40,306,254
Share issuance costs	\$ 147,404	\$ 304,348

As at May 31, 2025, the Corporation has non-capital losses of approximately \$13,100,000 (2024 - \$12,700,000) carried forward for Canadian income tax purposes. These non-capital losses expire beginning May 31, 2032.

The Corporation also has non-capital losses of approximately \$4,500,000 (2024 - \$4,000,000) carried forward for Peruvian income tax purposes which are available for application against future taxable income. The Corporation also has approximately \$24,800,000 (2024 - \$23,600,000) 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, 2025 and 2024, the Corporation has not hedged its exposure to currency fluctuations.

As at May 31, 2025 and 2024, the Corporation is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	May 31, 2025	May 31, 2024
Cash	28,346	199,243
Accounts payable and accrued liabilities	(68,120)	(172,060)
Net	39,774	27,183
Canadian dollar equivalent (\$)	(54,721)	(37,069)

Based on the above net exposures as at May 31, 2025, a 5% (2024 - 5%) change in the Canadian/US dollars exchange rate would impact the Corporation's income (loss) and comprehensive income (loss) by approximately \$2,700 (2024 - \$2,000), 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, 2025, the Corporation has cash of \$158,124 (2024 - \$2,280,298), current liabilities of \$728,465 (2024 - \$692,698), and non-current liabilities of \$nil (2024 - \$58,204).

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

As at	May 31, 2025		May 31, 2024	
Due Date				
0 – 90 days	\$	728,465	\$	655,890
91 – 365 days		-		49,275
More than 1 year		-		60,225
	\$	728,465	\$	765,390

## **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 La Joya project. 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, 2025.

#### 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
<b>As at May 31, 2025</b>					
Current assets	\$	114,765	\$	208,081	\$ 322,846
Prepays				59,707	59,707
Property and equipment		77		125,921	125,998
Value-added tax receivable		-		69,150	69,150
Exploration and evaluation assets		-		624,986	624,986
	\$	114,842	\$	1,087,845	\$ 1,202,687
<b>As at May 31, 2024</b>					
Current assets	\$	2,077,257	\$	369,980	\$ 2,447,237
Prepays		-		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

#### 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, 2025 and 2024, the Corporation paid and/or accrued the following compensation for salaries, fees and stock-based compensation to key management personnel:

	May 31, 2025		May 31, 2024	
<b>Fees</b>				
Management fees included in salaries and wages	\$	265,703	\$	228,670
Accounting fees included in legal and professional fees		102,000		102,000
Director fees included in consulting fees		167,783		153,393
Stock-based compensation		-		38,038
	\$	535,486	\$	522,101

## **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.

		<b>May 31, 2025</b>		<b>May 31, 2024</b>
Management	\$	313,318	\$	81,553
Directors		199,704		91,207
	\$	513,022	\$	172,760

## **16. Subsequent Events**

On September 26, 2025, the Corporation completed a non-brokered private placement of 17,857,156 units at a price of \$0.07 per unit for gross proceeds of \$1,250,000. 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 \$0.09 per share for a period of three years. The Corporation paid aggregate finder's fees of \$1,929 and issued 27,552 finder's warrants in connection with the private placement. Each finder's warrant is exercisable to purchase one share at a price of \$0.09 per share for a period of three years from closing of the private placement.

On September 11, 2025, the Corporation entered into agreements to fully settle outstanding debt of \$644,791 owed to certain board and management creditors. The settlement will be affected through a combination of share issuance, debt forgiveness, and cash payments. The Corporation will issue 2,529,487 common shares at a deemed price of \$0.0975 per share, representing an aggregate settlement amount of \$246,625. In addition, the creditors have agreed to forgive fees owing to them of \$353,455. The remaining balance of \$44,711 will be settled through cash payments. Upon completion, this transaction will result in the full extinguishment of all outstanding board and management debt obligations. The Corporation received the TSX Venture approval for these transactions on September 25, 2025.