



**CENTENARIO GOLD CORP.**  
(formerly AADirection Capital Corp.)

**Consolidated Financial Statements**  
(Expressed in Canadian dollars)

**For the Years Ended December 31, 2023 and December 31, 2022**

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## INDEPENDENT AUDITOR’S REPORT

**To the Shareholders of Centenario Gold Corp. (formerly AADirection Capital Corp.)**

**Report on the Audit of the Consolidated Financial Statements**

### Opinion

We have audited the consolidated financial statements of Centenario Gold Corp. (formerly AADirection Capital Corp.) (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained 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 has not generated any revenue and has incurred losses since inception. As stated in Note 1, the Company’s ability to continue as a going concern is dependent upon its ability to obtain additional capital. These matters, 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 of the current period. 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.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are the following key audit matters to communicate in our auditor’s report.

Key audit matter:	How our audit addressed the key audit matter:
Assessment of impairment indicators of Exploration and evaluation assets.	Our approach to addressing the matter included the following procedures, among others:
<i>Refer to Note 2 – Use of judgements and estimates, Note 3 – Accounting policy Exploration and evaluation assets and Note 8 – Exploration and evaluation assets</i> Management assesses at each reporting period whether there is an indication that the carrying value of exploration	Evaluated the reasonableness of management’s assessment of impairment indicators, which included the following: <ul style="list-style-type: none"> <li>Assessed the Company’s market capitalization in comparison to the Company’s net assets, which may be an indication of impairment.</li> </ul>

and evaluation assets may not be recoverable. Management applies significant judgement in assessing whether indicators of impairment exist that necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market value of the Company's share price; (ii) changes in the Company's assessment of whether commercially viable quantities of mineral resources exist within the property; and (iii) changes in metal prices, capital and operating costs, are evaluated by management in determining whether there are any indicators of impairment.

We considered this a key audit matter due to (i) the significance of the exploration and evaluation asset balance and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the factors evaluated by management in its assessment of impairment indicators, which required significant management judgement.

- Assessed the completeness of the factors that could be considered indicators of impairment, including consideration of evidence obtained in other areas of the audit.
- Confirmed that the Company's right to explore the property had not expired.
- Obtained management's written representations regarding the Company's future plans for the exploration and evaluation assets.
- Assessed the reasonability of the Company's financial statement disclosure regarding their exploration and evaluation assets.

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**Key audit matter:**

**How our audit addressed the key audit matter:**

Valuation of common shares given up pursuant to the reverse takeover transaction ("RTO")

Our approach to addressing the matter included the following procedures, among others:

*Refer to Note 2 – Use of judgements and estimates, and Note 4 Reverse Takeover*

Management was required to assess the valuation of the common shares considered to be issued to existing AADirection Capital Corp. shareholders on completion of the RTO. The common shares considered to be issued consisted of those shares of AADirection Capital Corp. that were outstanding immediately prior to the completion of the RTO. At the time of the RTO, the common shares of AADirection Capital Corp. were halt-traded and therefore did not have a readily available fair market value.

We considered this a key audit matter due to (i) the significance of the RTO costs recorded on the statement of comprehensive loss, and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the factors evaluated by management in its valuation of these common shares, which required significant management judgement.

Evaluated the accuracy of management's valuation of the common shares given up pursuant to the RTO, which included the following:

- Assessing the basis for the valuation of the common shares, being the concurrent private placement financing of subscription receipts by the Company.
- Assessing the alternative approaches that could be considered when estimating the fair value of the common shares given up.
- Assessing the fairness and completeness of the Company's financial statement disclosure regarding the RTO.

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**Other Information**

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis" but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

- 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.

The engagement partner on the audit resulting in this independent auditor's report is James Roxburgh.

A handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants**

Vancouver, BC, Canada  
April 26, 2024

**CENTENARIO GOLD CORP.**  
(formerly AADIRECTION CAPITAL CORP.)  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	As at	
	December 31, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 407,565	\$ 115,033
Prepaid expenses (Note 5)	554,149	3,834
Amounts receivable	9,602	2,864
<b>Total Current Assets</b>	<b>971,316</b>	<b>121,731</b>
<b>Non-Current Assets</b>		
Equipment (Note 6)	3,109	4,395
Exploration and evaluation assets (Note 8)	234,663	131,899
Right-of-Use Asset (Note 9)	-	7,086
Value added tax receivable (Note 7)	-	70,702
<b>Total Non-Current Assets</b>	<b>237,772</b>	<b>214,082</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,209,088</b>	<b>\$ 335,813</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 11)	\$ 30,172	\$ 379,313
Lease liability (Note 9)	-	7,852
<b>TOTAL LIABILITIES</b>	<b>30,172</b>	<b>387,165</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share subscriptions received (Note 10)	-	189,500
Share capital (Note 10)	4,543,810	1,347,999
Share-based payments reserve (Note 10)	351,724	-
Deficit	(3,716,618)	(1,588,851)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<b>1,178,916</b>	<b>(51,352)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,209,088</b>	<b>\$ 335,813</b>

Nature and continuance of operations (Note 1)

Subsequent event (Note 17)

On behalf of the Board:

“Douglas Fulcher”

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Douglas Fulcher, director

“Alain Charest”

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Alain Charest, director

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

**CENTENARIO GOLD CORP.**

(formerly AADIRECTION CAPITAL CORP.)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Subscriptions Received	Share-Based Payments Reserve	Deficit	Total Equity (Deficiency)
Balance, December 31, 2021	17,074,992	\$ 1,103,749	\$ -	\$ -	\$ (733,639)	\$ 370,110
Share purchase warrants exercised	2,212,500	244,250	-	-	-	244,250
Share subscriptions received	-	-	189,500	-	-	189,500
Loss and comprehensive loss for the year	-	-	-	-	(855,212)	(855,212)
<b>Balance, December 31, 2022</b>	<b>19,287,492</b>	<b>\$ 1,347,999</b>	<b>\$ 189,500</b>	<b>\$ -</b>	<b>\$ (1,588,851)</b>	<b>\$ (51,352)</b>

	Number of Shares	Share Capital	Share Subscriptions Received	Share-Based Payments Reserve	Deficit	Total Equity (Deficiency)
Balance, December 31, 2022	19,287,492	\$ 1,347,999	\$ 189,500	\$ -	\$ (1,588,851)	\$ (51,352)
Reverse takeover ("RTO")	6,000,000	900,000	-	-	-	900,000
Private placement financings, net of share issuance costs	15,554,998	2,164,478	(189,500)	51,024	-	2,026,002
Share purchase warrants exercised	656,666	131,333	-	-	-	131,333
Stock-based compensation expense	-	-	-	300,700	-	300,700
Loss and comprehensive loss for the year	-	-	-	-	(2,127,767)	(2,127,767)
<b>Balance, December 31, 2023</b>	<b>41,499,156</b>	<b>\$ 4,543,810</b>	<b>\$ -</b>	<b>\$ 351,724</b>	<b>\$ (3,716,618)</b>	<b>\$ 1,178,916</b>

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

**CENTENARIO GOLD CORP.**  
(formerly AADIRECTION CAPITAL CORP.)  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	<b>For the Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Operating expenses</b>		
Exploration and evaluation	\$ 708,367	\$ 475,400
Depreciation (Notes 6 and 9)	9,368	46,570
Investor relations and marketing	87,558	-
Management fees and consulting fees (Note 11)	203,048	185,375
Office and administration (Note 11)	54,520	25,446
Professional fees	66,136	85,510
Project generation	13,596	17,171
Stock-based compensation expense (Note 10)	300,700	-
Transfer agent and filing fees	27,103	18,372
Travel and business development	10,055	11,316
Foreign exchange (gain) loss	4,626	(8,266)
<b>Loss from operations</b>	<b>(1,485,077)</b>	<b>(856,894)</b>
<b>Other items</b>		
Gain on sale of equipment	-	1,682
RTO transaction costs (Note 4)	(642,690)	-
	(642,690)	1,682
<b>Loss and Comprehensive Loss for the Year</b>	<b>\$ (2,127,767)</b>	<b>\$ (855,212)</b>
<b>Basic And Diluted Loss Per Share Outstanding</b>	<b>\$ (0.08)</b>	<b>\$ (0.05)</b>
<b>Weighted Average Number Of Shares Outstanding</b>	<b>26,186,797</b>	<b>18,681,585</b>

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

**CENTENARIO GOLD CORP.**  
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**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	<b>For the Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents provided by (used in):		
<b>Operating Activities</b>		
Net loss for the year	\$ (2,127,767)	\$ (855,212)
<b>Items not affecting cash:</b>		
Depreciation	9,368	46,570
Stock-based compensation expense	300,700	-
Gain on sale of equipment	-	(1,682)
RTO transaction costs	642,690	-
<b>Changes in non-cash operating working capital items:</b>		
(Increase) decrease in prepaid expenses	(550,315)	13,304
(Increase) decrease in accounts receivable	(2,364)	145
(Increase) decrease in value added tax receivable	70,702	(28,006)
Increase (decrease) in accounts payable and accrued liabilities	(349,141)	366,064
<b>Cash used in operating activities</b>	<b>(2,006,127)</b>	<b>(458,817)</b>
<b>Investing Activities</b>		
Cash acquired upon RTO	252,936	-
Exploration and evaluation assets	(102,764)	(66,403)
Proceeds on disposition of equipment	-	9,689
Purchase of equipment	(996)	-
<b>Cash used in investing activities</b>	<b>149,176</b>	<b>(56,714)</b>
<b>Financing Activities</b>		
Share capital issued, net of issuance costs	2,157,335	244,250
Share subscriptions received	-	189,500
Principal portion of office lease	(7,852)	(43,230)
<b>Cash provided by financing activities</b>	<b>2,149,483</b>	<b>390,520</b>
Increase (decrease) in cash and cash equivalents during the year	292,532	(125,011)
Cash and cash equivalents - beginning of the year	115,033	240,044
<b>Cash and cash equivalents - end of the year</b>	<b>\$ 407,565</b>	<b>\$ 115,033</b>

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

**CENTENARIO GOLD CORP.** (formerly AADirection Capital Corp.)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the Years Ended December 31, 2023 and December 31, 2022

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Centenario Gold Corp. (formerly AADirection Capital Corp.) (the "Company" or "CTG") was incorporated under the Business Corporations Act of British Columbia on December 1, 2020 and was a capital pool company as defined by TSX Venture Exchange ("TSXV") Policy 2.4 (the "Policy"). The Company completed its initial public offering ("IPO") on August 17, 2021 and its shares commenced trading on the TSXV under the symbol AAD.P.

On October 26, 2023, the Company completed its qualifying transaction (the "Transaction") under TSXV Policy 2.4 – Capital Pool Companies, and it concurrently changed its name from AADirection Capital Corp. to Centenario Gold Corp. Prior to the Transaction, the Company was a Capital Pool Company (CPC) as defined pursuant to Policy 2.4 of the TSXV that performed no significant business activities other than the identification and evaluation of assets or businesses with the view of completing a qualifying transaction.

Following completion of the Transaction, the Company now operates as a Tier 2 exploration issuer listed on the TSXV under the trading symbol CTG. Its principal business is to acquire, explore, and develop interests in mineral projects in Mexico.

The Company's head office, principal address and registered and records office is Suite 615 – 800 West Pender Street, Vancouver, BC, V6C 2V6.

Going concern of operations

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

As of December 31, 2023, the Company has not generated any revenues and has incurred losses of \$3,716,618 (December 31, 2022 - \$1,588,851) since inception. The Company's continued existence and plans for future growth depend on its ability to obtain additional capital. The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.

**1. NATURE AND CONTINUANCE OF OPERATIONS (cont'd...)**

The above material uncertainties raise significant doubt about the Company's ability to continue as a going concern. Although these financial statements have been prepared on a going concern basis, the Company's continuing operations are dependent upon its ability to obtain adequate financing through debt or equity issuance.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

These consolidated financial statements of the Company for the years ended December 31, 2023 and December 31, 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized to be issued by the Board of Directors on April 26, 2024.

**(b) Financial Statement Presentation**

These financial statements include the accounts of the Company, its 100% owned Canadian subsidiary, 1403285 B.C. Ltd. and its 99% owned Mexican subsidiary, Durango Gold Corp S.A. de C.V. whose principal business is the exploration of the Eden project in Mexico. All significant inter-company transactions and balances have been eliminated on consolidation. All amounts are stated in Canadian dollars unless otherwise indicated.

**(c) Use of judgments and estimates**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Significant areas requiring the use of management judgements and estimates include:

- impairment of exploration and evaluation assets;
- provision of reclamation and environmental obligations, if any;
- the determination of the value of the common shares issued pursuant to the RTO; and
- inputs used in accounting for stock-based compensation expense in profit or loss.

**2. BASIS OF PREPARATION** (cont'd...)

**(c) Use of judgments and estimates** (cont'd...)

The management of the Company has considered the Company's current activities, funding position and projected funding requirements for the period of at least twelve months from the date these financial statements, in determining the ability of the Company to adopt the going concern basis in preparing the financial statements for the year ended December 31, 2023. The assessment of the Company's ability to execute its strategy to meet its future funding requirements involves judgment.

**3. MATERIAL ACCOUNTING POLICIES**

**(a) Cash and cash equivalents**

Cash includes deposits held at call with financial institutions.

**(b) Equipment**

Equipment is recorded at cost less accumulated depreciation and impairment losses, if any. Depreciation is recognized as follows:

- Motor vehicles – over 4 years.
- Computer equipment – over 2 years.

**(c) Exploration and evaluation assets ("E&E")**

Costs relating to the acquisition and claim maintenance of exploration and evaluation assets (including option payments and annual fees to maintain the property in good standing) are capitalized and deferred by property until the project to which they relate is sold, abandoned, impaired or placed into production.

The Company expenses all exploration, evaluation and development expenditures until management concludes that a future economic benefit is more likely than not to be realized.

Once the Company considers that a future economic benefit is more likely than not of being realized, all subsequent costs directly relating to the advancement of the related area of interest are capitalized.

Capitalized exploration and evaluation costs are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indicator is identified, the asset's recoverable amount is calculated and compared to the carrying amount. For the purpose of measuring recoverable amounts, assets are grouped into CGUs. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

**3. MATERIAL ACCOUNTING POLICIES (cont'd...)**

**(c) Exploration and evaluation assets ("E&E") (cont'd...)**

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to exploration costs. Exploration and evaluation acquisition costs that are capitalized are included as part of cash flows from investing activities whereas exploration and evaluation expenditures that are expensed are included as part of cash flows from operating activities.

**(d) Leases**

At inception of a contract, the Company must assess 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 Company must assess 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 if it has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease.

*Right-of-use asset*

The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made and any initial direct costs incurred at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received. 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. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

*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.

**3. MATERIAL ACCOUNTING POLICIES (cont'd...)**

**(d) Leases (cont'd...)**

Lease payments included in the measurement of the lease liability comprise: fixed payments; variable lease payments that depend on an index or a rate; amounts expected to be payable under any residual value guarantee; the exercise price under any purchase option that the Company would be reasonably certain to exercise; lease payments in any optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for any early termination of a lease unless the Company is reasonably certain not to terminate early. The Company has not included non-lease components related to premises leases in the determination of the lease liability.

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

**(e) Decommissioning liabilities**

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through amortization of the asset and unwinding of the discount on the provision.

Amortization is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset and charged against operating profit or loss. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

**3. MATERIAL ACCOUNTING POLICIES (cont'd...)**

**(f) Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in private placements to be the more easily measurable component of unit offerings and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to any attached warrants or other features. Any fair value attributed to warrants is recorded as share-based payments reserve.

When unit warrants are exercised, the amounts previously recognized in share-based payments reserve are transferred to share capital.

**(g) Foreign currency translation**

The Company's functional and reporting currency is the Canadian dollar. The functional currency of the Company's subsidiaries is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency translation differences are recognized in profit or loss, except for differences on the retranslation of fair value through other comprehensive income instruments which are recognized in other comprehensive income.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's subsidiaries are translated into the Canadian dollar using exchange rates prevailing at the end of the period. Income and expense items are translated at the average rate for the period. Exchange differences are recognized in the statement of comprehensive loss.

**3. MATERIAL ACCOUNTING POLICIES (cont'd...)**

**(h) Share-based payments**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is expensed over the vesting terms. The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments to non-employees are measured at the fair value of goods or services received.

When stock options are exercised, the amounts previously recognized in share-based payments reserve are transferred to share capital.

**(i) Warrants**

The Company accounts for warrants including warrants issued to brokers in connection with the issuance of shares ("broker warrants") using the fair value method. Under this method, the fair value of broker warrants is first determined based on the value of goods or services received. In situations where some or all of the goods or services received by the Company as consideration cannot be specifically identified, the fair value of broker warrants is then determined using the Black-Scholes valuation model.

When broker warrants are exercised, the amounts previously recognized in share-based payments reserve are transferred to share capital.

**(j) Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

**3. MATERIAL ACCOUNTING POLICIES (cont'd...)**

**(j) Income taxes (cont'd...)**

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**(k) Financial instruments**

The following is the Company's accounting policy for financial instruments:

**(i) Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

**3. MATERIAL ACCOUNTING POLICIES** (cont'd...)

**(k) Financial instruments** (cont'd...)

The Company classifies its financial instruments as follows:

<b>Financials Assets</b>	<b>Classification</b>
Cash and cash equivalents	Amortized cost
Amounts receivables (excluding sales tax receivable)	Amortized cost
<b>Financial Liabilities</b>	
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost

(ii) Measurement

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss.

**3. MATERIAL ACCOUNTING POLICIES (cont'd...)**

**(l) Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**(m) Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**(n) New accounting standards and interpretations issued but not yet effective**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

**IAS 1 Presentation of Financial Statements**

IAS 1 has been amended to clarify classification of liabilities as current or non-current. The amendments are effective for the years beginning on or after January 1, 2024. The amendment is expected to have no impact on the Company.

**3. MATERIAL ACCOUNTING POLICIES (cont'd...)**

**(n) New accounting standards and interpretations issued but not yet effective (cont'd...)**

**Accounting standards adopted in the current year**

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures. The adoption of these amendments had minimal impact on the disclosures in these financial statements.

**4. REVERSE TAKEOVER**

The Transaction (see Note 1) was completed pursuant to a plan of arrangement (the "Arrangement") dated October 26, 2023 between AADirection Capital Corp. (the "CPC") and Centenario Gold Corp. (the "Legal Acquiree" or "CGC") whereby the former issued 35,499,156 of its common shares for 100% of the issued and outstanding common shares of the latter on a one-for-one basis. The Transaction resulted in a reverse takeover ("RTO") of the CPC by the Legal Acquiree as, immediately after the completion of the Transaction, the shareholders of the Legal Acquiree owned 86% of the Company.

Pursuant to the Arrangement, the Legal Acquiree and a wholly-owned subsidiary of the CPC amalgamated to form a new company under the corporate name 1403285 B.C. Ltd. which will carry on the business previously carried on by the Legal Acquiree.

**4. REVERSE TAKEOVER** (cont'd...)

Pursuant to the term of the Arrangement, prior to the completion of the Transaction, in October 2023, the Legal Acquiree completed a private placement financing of 11,703,672 subscription receipts (the "Subscription Receipts") at \$0.15 per subscription receipt. Immediately prior to the closing of the Transaction, each Subscription Receipt automatically converted, without payment of additional consideration or further action by the holder thereof, into one unit (each, a "Unit") of the Legal Acquiree just prior to the amalgamation. Each Unit was comprised of one common share (each, a "Common Share") in the capital of the Legal Acquiree and one half of one common share purchase warrant (each whole warrant, a "Warrant"), exercisable at \$0.30 per Warrant share for a period of two (2) years from issuance which securities were immediately exchanged 1:1 for securities of the CPC. Immediately prior to the RTO, the capital structure of the legal acquiree comprised the following: (i) 35,499,156 issued and outstanding common shares; (ii) warrants exercisable for 1,268,992 common shares at \$0.20 per share; (iii) warrants exercisable for 5,851,834 common shares at \$0.30 per share; and (iv) finders' warrants exercisable for 784,986 common shares at \$0.15 per share.

Upon completion of the Transaction, the shareholders of the Legal Acquiree owned approximately 86% of the issued and outstanding common shares of the Company. For accounting purposes, the Transaction is considered as a "reverse takeover". A reverse takeover transaction involving a non-public operating entity and non-operating public company is in substance a capital transaction, rather than a business combination. These financial statements are presented as a continuation of the Legal Acquiree but are issued in the name of the Company as a legal parent. The Transaction has been measured at the fair value of the shares and warrants that are deemed to have been issued to the Company's historical shareholders. Accordingly, the transaction has been recorded in these financial statements using a basis of accounting as summarized below:

- a) The historical equity of the CPC has been eliminated and the excess of the fair value of deemed issuance of the equity instruments over the fair value of the net assets acquired has been recorded as listing expense in comprehensive loss for the period;
- b) The retained earnings (deficit) and other equity balances presented in these financial statements are those of the Legal Acquiree;
- c) The assets and liabilities of the Legal Acquiree are included in these Financial Statements on pre-transaction basis of accounting;
- d) The net assets of the CPC were measured at their estimated fair value on the date of the Transaction; and
- e) Comparative information presented in these financial statements is that the Legal Acquiree.

Pursuant to the terms of the QT, the CPC advanced \$150,000 to the Legal Acquiree to pay the annual Eden property option payment (See Note 8) and towards other expenses in connection with the closing of the Transaction.

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**4. REVERSE TAKEOVER** (cont'd...)

The total purchase price has been allocated as follows:

Consideration given up:

6,000,000 common shares - \$0.15/share	\$	900,000
		<u>900,000</u>

Net Assets Acquired:

Cash	252,936
GST receivable	<u>4,374</u>
<u>257,310</u>	

Listing expense	<u>\$ 642,690</u>
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**5. PREPAID EXPENSES**

As at December 31, 2023, prepaid expenses are comprised of \$168,400 (2022 - \$Nil) paid to the drill contractor for drilling completed on the Eden property in January 2024, \$200,000 (2022 - \$Nil) for a social media and marketing campaign that extends until October 2024, \$184,816 (2022 - \$Nil) paid for advertising and promotion through October 2024 and \$933 (2022 - \$3,834) in exploration advances.

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**6. EQUIPMENT**

	<b>Computer equipment</b>		<b>Motor Vehicles</b>		<b>Total</b>
<b>COST</b>					
<b>Balance, December 31, 2021</b>	\$ -		\$ 18,374		\$ 18,374
Disposals	-		(8,007)		(8,007)
<b>Balance, December 31, 2022</b>	-		10,367		10,367
Additions	996		-		996
<b>Balance, December 31, 2023</b>	<b>\$ 996</b>		<b>\$ 10,367</b>		<b>\$ 11,363</b>
<b>AMORTIZATION</b>					
<b>Balance, December 31, 2021</b>	\$ -		\$ 1,914		\$ 1,914
Amortization	-		4,058		4,058
<b>Balance, December 31, 2022</b>	-		5,972		5,972
Amortization	-		2,282		2,282
<b>Balance, December 31, 2023</b>	<b>\$ -</b>		<b>\$ 8,254</b>		<b>\$ 8,254</b>
<b>CARRYING AMOUNTS</b>					
<b>As at December 31, 2022</b>	\$ -		\$ 4,395		\$ 4,395
<b>As at December 31, 2023</b>	<b>\$ 996</b>		<b>\$ 2,113</b>		<b>\$ 3,109</b>

**7. VALUE ADDED TAX RECEIVABLE**

Value added tax ("VAT") receivable represents tax payments paid by the Company in Mexico which are refundable from the Mexican government. During the year ended December 31, 2023, the Company incurred VAT of \$34,583 (2022 - \$28,006) paid on Eden Project expenditures charged to exploration and evaluation expense (see Note 8) and project generation expenses.

The recoverability of the balance of VAT incurred in Mexico is subject to the Company qualifying to offset these VAT credits against VAT charged and collected when the Eden Property commences production. As the commencement of production at the Eden Property is uncertain at this time, the Company has elected to expense the VAT amounts paid in respect of exploration and evaluation expenditures during the year ended December 31, 2023 and going forward. Any amounts received in the future will be recorded as recovery against exploration and evaluation expenses on the statement of comprehensive loss.

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**8. EXPLORATION AND EVALUATION ASSETS**

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, titles to all of its properties are in good standing.

A summary of the changes in cumulative exploration and evaluation asset costs for the years ended December 31, 2023 and December 31, 2022 is as follows:

	<b>Eden Property</b>
Balance, December 31, 2021	\$ 65,496
Additions	66,403
Balance, at December 31, 2022	131,899
Additions	102,764
Balance, at December 31, 2023	\$ 234,663

Exploration expenditures for the years ended December 31, 2023 and December 31, 2022 were as follows:

	<b>For the Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>Eden</b>	<b>Eden</b>
Geological costs	\$ 283,370	\$ 296,983
Geophysics	-	57,575
Drilling	251,190	-
Mineral property tenure	38,164	28,202
General and administrative	30,358	92,640
VAT incurred	105,285	-
<b>Total</b>	<b>\$ 708,367</b>	<b>\$ 475,400</b>

**Eden Property, Sinaloa, Mexico**

On March 24, 2021, and subsequently amended on January 26, 2023 and March 22, 2024, the Company entered into an option agreement (the "Eden Agreement") with Dr. Eduardo Alfonso Navarro Contreras, Ing. Antonio Bonaficio Flores Martinez and Ing. Ignacio Martinez Dominguez (the "Optionors") pursuant to which the Company has the sole and exclusive option to acquire 100% of the rights and interests in the Eden Property in Sinaloa, Mexico subject to a 1.0% net smelter return ("NSR"). The Eden Property consists of two (2) contiguous and titled mineral concessions named El Eden and El Eden 1 covering approximately 2,489 hectares.

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**8. EXPLORATION AND EVALUATION ASSETS** (cont'd...)

The Company's option to acquire the rights and interests in the Eden Property is exercisable by making aggregate cash payments of US \$710,000 over five years and by incurring minimum exploration expenditures totaling US \$3,000,000 over four years.

The cash payments and minimum exploration expenditures (the "expenditures") schedule is as follows:

- i. US \$50,000 upon signing the Eden Agreement (paid);
- ii. US \$50,000 on or before March 24, 2022 (paid);
- iii. US \$75,000 on or before March 24, 2023 (paid);
- iv. US \$50,000 (paid) and US \$1,000,000 cumulative expenditures (incurred) on or before March 24, 2024;
- v. US \$60,000 on or before December 24, 2024; and
- vi. US \$425,000 and US \$3,000,000 cumulative expenditures on or before March 24, 2025.

If the Company defines a proven and probable resource in excess of 500,000 oz of gold equivalent on the property on or before March 24, 2027, the Company will make a one-time payment of US \$1,000,000 to the Optionors. The Company also has the right at any time to purchase the 1.0% NSR from the Optionors for US \$1,000,000.

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**9. RIGHT-OF-USE ASSET/LEASE LIABILITY***Right-of-Use Asset*

The following tables summarize the Company's right-of-use asset as at December 31, 2023 and December 31, 2022:

	<b>ROU Asset</b>
<b>COST</b>	
<b>Balance, December 31, 2021 and December 31, 2022</b>	\$ 74,397
Additions	-
<b>Balance, December 31, 2023</b>	<u>\$ 74,397</u>
<b>AMORTIZATION</b>	
<b>Balance, December 31, 2021</b>	\$ 24,799
Amortization	42,512
<b>Balance, December 31, 2022</b>	\$ 67,311
Amortization	7,086
<b>Balance, December 31, 2023</b>	<u>\$ 74,397</u>
<b>CARRYING AMOUNTS</b>	
<b>As at December 31, 2022</b>	<u>\$ 7,086</u>
<b>As at December 31, 2023</b>	<u>\$ -</u>

*Lease liability*

Effective June 1, 2021, the Company entered into an office sublease agreement (the "rental agreement") with Pamicon Developments Ltd. ("Pamicon"), a private company partially controlled by the President of the Company. The Company paid Pamicon \$4,000 per month, with the sublease expiring on February 28, 2023.

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**9. RIGHT-OF-USE ASSET/LEASE LIABILITY** (cont'd...)

Minimum lease payments in respect of lease liabilities and the effect of discounting are as follows:

	December 31, 2023	December 31, 2022
Undiscounted minimum lease payments		
Less than one year	\$ -	\$ 8,000
	-	8,000
Effect of discounting	-	(148)
Present value of minimum lease payments	-	7,852
Current portion	-	(7,852)
Non-current portion	\$ -	\$ -

The net changes in the lease liability were as follows:

	December 31, 2023	December 31, 2022
Balance, beginning of the year	\$ 7,852	\$ 51,082
Cash flows:		
Principal repayments	(7,852)	(43,230)
Balance, end of the year	\$ -	\$ 7,852

During the year ended December 31, 2023, interest of \$148 (2022 - \$4,770) is included in Office and administration expense in the statement of comprehensive loss.

**10. SHARE CAPITAL**a) Authorized share capital

As at December 31, 2023, the authorized share capital of the Company is an unlimited number of common shares without par value.

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**10. SHARE CAPITAL** (cont'd...)

b) Issued share capital

During the year ended December 31, 2023:

- i. In February 2023, the Company issued 3,851,326 units at a price of \$0.15 per unit for gross proceeds of \$577,699. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.20 per warrant share until January 30, 2025. Of the total proceeds raised, \$189,500 was recorded in share subscriptions received as at December 31, 2022;
- ii. In September 2023, the Company issued, by way of share purchase warrants exercised, an aggregate of 656,666 common shares for gross proceeds of \$131,333;
- iii. In October 2023, the Company issued 11,703,672 units pursuant to the conversion of the Subscription Receipts (see Note 4). Upon conversion of the Subscription Receipts, the Company paid to certain finders (the "Finders") cash commissions of \$117,748, being 8% of the aggregate gross proceeds raised by such Finders, and issued 784,986 Finder's Warrants (the "Finder's Warrants"), being 8% of the aggregate number of Subscription Receipts issued under the offering to subscribers introduced by the Finders. Each Finder's Warrant is exercisable at \$0.15 per warrant share until October 26, 2025; and
- iv. Pursuant to the terms of the Transaction and upon closing of the RTO, the Legal Acquiree was deemed to have issued 6,000,000 common shares at \$0.15 per share to acquire the net identifiable assets of the CPC.

During the year ended December 31, 2022:

- v. The Company issued, by way of share purchase warrants exercised, an aggregate of 2,212,500 common shares for gross proceeds of \$244,250; and
- vi. The Company received \$189,500 in subscription receipts which were converted into units upon closing of a private placement financing. (see Note 10(b(i))).

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**10. SHARE CAPITAL** (cont'd...)c) Escrow shares

At December 31, 2023, 10,562,249 common shares (December 31, 2022 – Nil) and 80,249 warrants with an exercise price of \$0.20 (December 31, 2022 – Nil) are being held in escrow with Odyssey Trust Company pursuant to a Tier 2 value security escrow agreement. These shares and warrants will be released from escrow every six months in six equal instalments commencing on April 27, 2024. An additional 1,500,000 Common Shares remain subject to a capital pool company escrow agreement. These shares will be released from escrow every six months in three equal instalments commencing on April 27, 2024.

d) Stock options

A summary of the status of stock options as of December 31, 2023 and December 31, 2022 and changes during the years then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2022 and 2021	600,000	\$ 0.10
Granted	3,100,000	0.15
Outstanding at December 31, 2023	3,700,000	\$ 0.14

The weighted-average remaining life of the stock options as at December 31, 2023 was 4.48 years.

During the year ended December 31, 2023, the Company recorded stock-based compensation expense of \$300,700 (2022 – \$Nil) related to the issuance of stock options. The following weighted average assumptions were used for the Black-Scholes pricing model valuation of the incentive stock options granted during the year ended December 31, 2023:

	For the Year Ended December 31, 2023
Risk-free interest rate	4.67%
Expected life of options (years)	5.00
Annualized volatility	75.73%
Dividend rate	0.00%

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For the Years Ended December 31, 2023 and December 31, 2022

**10. SHARE CAPITAL** (cont'd...)d) Stock options (cont'd...)

Stock options outstanding at December 31, 2023 are as follows:

Number of Options	Exercise Price	Expiry Date
600,000	\$0.10	August 16, 2026
3,100,000	\$0.15	October 30, 2028
<b>3,700,000</b>		

e) Warrants

A summary of the status of warrants as of December 31, 2023 and December 31, 2022 and changes during the years then ended is presented below:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2021	2,938,750	\$ 0.12
Exercised	(2,212,500)	0.11
Expired	(140,000)	0.10
Outstanding at December 31, 2022	586,250	\$ 0.15
Issued	7,777,492	0.28
Expired	(586,250)	0.15
Exercised	(656,666)	0.20
Outstanding at December 31, 2023	7,120,826	\$ 0.28

The weighted-average remaining life of the warrants as at December 31, 2023 was 1.69 years.

Share purchase warrants outstanding at December 31, 2023 are as follows:

Number of Warrants	Exercise Price	Expiry Date
1,268,992	\$0.20	January 30, 2025
5,851,834	\$0.30	October 26, 2025
<b>7,120,826</b>		

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**10. SHARE CAPITAL** (cont'd...)f) Agent's and finder's warrants

A summary of the status of agent's and finder's warrants as of December 31, 2023 and December 31, 2022 and changes during the years then ended is presented below:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2022 and 2021	400,000	\$ 0.10
Granted	784,986	0.15
Outstanding at December 31, 2023	1,184,986	\$ 0.13

The weighted-average remaining life of the agent's and finder's warrants as at December 31, 2023 was 2.09 years.

The following weighted average assumptions were used for the Black-Scholes pricing model valuation of the finder's warrants granted during the year ended December 31, 2023:

	For the Year Ended December 31, 2023
Risk-free interest rate	4.64%
Expected life of warrants (years)	2.00
Annualized volatility	75.79%
Dividend rate	0.00%

Agent's and finder's warrants outstanding at December 31, 2023 are as follows:

Number of Warrants	Exercise Price	Expiry Date
400,000	\$0.10	August 16, 2026
784,986	\$0.15	October 26, 2025
1,184,986		

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**11. RELATED PARTY TRANSACTIONS**

The Company considers its key management personnel to be its officers, directors and companies controlled by officers and directors of the Company. Key management personnel compensation consisted of the following:

	For the Year Ended December 31,	
	2023	2022
Management fees paid to a company controlled by the President of the Company	\$ 60,000	\$ 60,000
Management fees paid to a company controlled by the CFO of the Company	45,000	30,000
Exploration costs paid to the CEO of the Company	90,000	116,364
Office rent and expenses** (Note 6)	54,893	52,836
Management stock-based compensation	130,950	-
	<u>\$ 380,843</u>	<u>\$ 259,200</u>

\*\* Office rent and expenses consists of cash payments to a related party in the aggregate of \$54,893 during the year ended December 31, 2023 (2022 - \$52,836). Of this total, \$49,920 (2022 - \$43,230) was rent and/or principal repayments (Note 9) paid to a company controlled by the President of the Company, and the remainder of \$4,973 (2022 - \$9,606) was paid to companies controlled by the officers of the Company and has been included in Office and administration expense in the statement of comprehensive loss.

These transactions were measured at the exchange amount, being the amount that was agreed upon by the transacting parties.

There was \$21,890 owing to related parties as at December 31, 2023 (December 31, 2022 - \$233,430). These amounts are unsecured, non-interest bearing, and due on demand.

## **12. FINANCIAL INSTRUMENTS**

### **Fair value**

The carrying value of cash and cash equivalents, accounts payable and accrued liabilities and lease liability approximate their fair value because of the short-term nature of these instruments. These financial instruments are carried at amortized cost. The Company does not have any financial instruments carried at fair value.

### **Financial risk factors**

The Company's risk exposures and the impact on the Company's financial statements are summarized below:

#### *Credit risk*

Credit risk is the risk that a counter party will be unable to pay any amounts owed to the Company. The Company is not exposed to any credit risk at this time.

#### *Liquidity risk*

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at December 31, 2023, the Company's working capital is \$941,144. The Company will have to seek additional financing through equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2023, the Company had cash of \$407,565 and total liabilities of \$30,172.

Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2023 are as follows:

- i. Accounts payable and accrued liabilities are due within 90 days.

#### *Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to cash that is denominated in Mexican Pesos. As at December 31, 2023, the Company has cash of \$50,357 (December 31, 2022 - \$3,120) that is denominated in Mexican Pesos.

**13. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, such that it can explore and develop its projects for the benefit of its shareholders and other stakeholders. The Company manages its capital structure and makes adjustments to it based upon changes in economic conditions and the risk characteristics of its assets. The Company may issue new shares through private placements and public offerings in order to maintain or adjust its capital structure. The Company is not subject to any externally-imposed capital requirements.

**14. COMMITMENTS**

- i. On April 1, 2021, the Company entered into a consulting agreement (the "CEO agreement") with the CEO of the Company which will pay the CEO \$7,500 per month. The term of the CEO agreement is indeterminate. The CEO agreement may be terminated by the Company by giving the CEO three (3) months' notice;
- ii. On April 1, 2021, the Company entered into a consulting agreement (the "executive agreement") with Digga Holdings Ltd. ("Digga"), a private company controlled by the President of the Company, which will pay Digga \$5,000 per month. The term of the executive agreement is indeterminate. The executive agreement may be terminated by the Company by giving the Digga three (3) months' notice; and
- iii. On April 1, 2021, the Company entered into a consulting agreement (the "CFO agreement") with Copsewood Capital Corp. ("Copsewood"), a private company controlled by the former CFO of the Company, which will pay Copsewood \$2,500 per month to provide Chief Financial Officer and administration services. The term of the CFO agreement is indeterminate. The CFO agreement may be terminated by the Company by giving the Copsewood three (3) months' notice.

**CENTENARIO GOLD CORP.** (formerly AADirection Capital Corp.)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Years Ended December 31, 2023 and December 31, 2022

**15. INCOME TAXES**

A reconciliation of income taxes at statutory rates is as follows:

	2023	2022
Net loss before income taxes	\$ (2,127,767)	\$ (855,212)
Statutory tax rate	28.44%	28.77%
Expected income tax recovery	(605,000)	(246,000)
Effect of current items	233,000	45,000
Tax asset not recognized	372,000	201,000
Income tax recovery	\$ -	\$ -

The significant component of the Company's deferred income tax asset is as follows:

	2023	2022
Deferred tax assets:		
Non-capital loss carryforwards	\$ 743,000	\$ 397,000
Share issue costs	26,000	-
Equipment	1,000	1,000
	770,000	398,000
Valuation allowance	(770,000)	(398,000)
Net deferred income tax assets	\$ -	\$ -

The Company's Canadian non-capital losses will expire as follows:

2040	\$ 21,000
2041	199,000
2042	368,000
2043	737,000
	<u>\$ 1,325,000</u>

The Company also has Mexican non-capital losses of approximately \$1,241,000 that may be applied against future taxable income in Mexico.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the Years Ended December 31, 2023 and December 31, 2022

**16. SEGMENTED FINANCIAL INFORMATION**

The Company operates in one industry segment, being the acquisition and exploration of mineral properties in Mexico. Geographic information is as follows:

	For the Year Ended December 31,	
	2023	2022
Non-current assets:		
Canada	\$ -	\$ 7,086
Mexico	237,772	206,996
	<u>\$ 237,772</u>	<u>\$ 214,082</u>
	For the Year Ended December 31,	
	2023	2022
Comprehensive loss:		
Canada	\$ (1,758,465)	\$ (526,106)
Mexico	(469,602)	(329,106)
	<u>\$ (2,228,067)</u>	<u>\$ (855,212)</u>

**17. SUBSEQUENT EVENT**

In January 2024, the Company issued 333,333 units at a price of \$0.15 per unit for gross proceeds of \$50,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.30 per warrant share for a period of two years from the date of issuance. All securities issued are subject to a four month hold period expiring on May 12, 2024. No finder's fees were paid in connection with the private placement.