



**CHAKANA COPPER CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2021**

**(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)**

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM  
FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim consolidated financial statements of Chakana Copper Corp. (the "Corporation") have been prepared by and are the responsibility of the Corporation's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

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

October 28, 2021

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

|                                                    | <b>August 31,<br/>2021<br/>(Unaudited)</b> | <b>May 31,<br/>2021<br/>(Audited)</b> |
|----------------------------------------------------|--------------------------------------------|---------------------------------------|
| <b>ASSETS</b>                                      |                                            |                                       |
| <b>Current Assets</b>                              |                                            |                                       |
| Cash and cash equivalents                          | \$ 5,360,846                               | \$ 8,675,790                          |
| Prepays and other current assets                   | 373,651                                    | 228,979                               |
|                                                    | 5,734,497                                  | 8,904,769                             |
| <b>Non-current Assets</b>                          |                                            |                                       |
| Exploration and evaluation assets (Note 4)         | 2,994,515                                  | 2,790,840                             |
| Property and equipment (Note 5)                    | 615,003                                    | 937,745                               |
| Value-added tax receivable                         | 564,324                                    | 558,316                               |
| <b>Total Assets</b>                                | <b>\$ 9,908,339</b>                        | <b>\$ 13,191,670</b>                  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>        |                                            |                                       |
| <b>Current Liabilities</b>                         |                                            |                                       |
| Accounts payable and accrued liabilities (Note 12) | \$ 1,052,557                               | \$ 1,246,461                          |
| Current portion of lease obligation (Note 6)       | 46,765                                     | 42,337                                |
|                                                    | 1,099,322                                  | 1,288,798                             |
| <b>Non-current Liabilities</b>                     |                                            |                                       |
| Lease obligation (Note 6)                          | 179,111                                    | 194,432                               |
| <b>Total Liabilities</b>                           | <b>1,278,433</b>                           | <b>1,483,230</b>                      |
| <b>Shareholders' Equity</b>                        |                                            |                                       |
| Common shares (Note 7)                             | 37,482,558                                 | 37,482,558                            |
| Stock option reserve (Note 7)                      | 2,819,736                                  | 2,518,080                             |
| Accumulated other comprehensive income             | 356,093                                    | 303,035                               |
| Deficit                                            | (32,028,481)                               | (28,595,233)                          |
|                                                    | 8,629,906                                  | 11,708,440                            |
| <b>Total Liabilities and Shareholders' Equity</b>  | <b>\$ 9,908,339</b>                        | <b>\$ 13,191,670</b>                  |

Contingency (Note 13)

**Approved on behalf of the Board of Directors**

/s/ Tom Wharton  
Tom Wharton, Director

/s/ Darren Devine  
Darren Devine, Director

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

**CHAKANA COPPER CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2021 AND AUGUST 31, 2020**  
(Unaudited – Expressed in Canadian Dollars)

|                                                                                 | Three Months<br>Ended<br>August 31,<br>2021 | Three Months<br>Ended<br>August 31,<br>2020 |
|---------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| <b>OPERATING EXPENSES</b>                                                       |                                             |                                             |
| Consulting fees (Note 12)                                                       | \$ 66,353                                   | \$ 67,256                                   |
| Depreciation                                                                    | 34,092                                      | 25,191                                      |
| Exploration and evaluation expenditures (Note 8)                                | 2,386,187                                   | 435,658                                     |
| General and administrative                                                      | 87,968                                      | 72,289                                      |
| Investor relations                                                              | 50,426                                      | 78,484                                      |
| Legal and professional fees                                                     | 26,001                                      | 39,094                                      |
| Salaries and wages                                                              | 68,275                                      | 83,037                                      |
| Stock-based compensation (Note 7)                                               | 301,656                                     | 607,092                                     |
| Travel and meals                                                                | -                                           | 1,649                                       |
| <b>Total Operating Expenses</b>                                                 | <b>(3,020,958)</b>                          | <b>(1,409,750)</b>                          |
| <b>Other</b>                                                                    |                                             |                                             |
| Foreign exchange loss                                                           | (1,797)                                     | (17,104)                                    |
| Write off leasehold improvements                                                | (410,493)                                   | -                                           |
| Interest income                                                                 | -                                           | 22,877                                      |
| Recovery of value-added tax previously written off                              | -                                           | 128,607                                     |
| <b>Total Other</b>                                                              | <b>(412,290)</b>                            | <b>134,380</b>                              |
| <b>Net Loss</b>                                                                 | <b>(3,433,248)</b>                          | <b>(1,275,370)</b>                          |
| <b>Other Comprehensive Income (Loss)</b>                                        |                                             |                                             |
| Foreign currency translation                                                    | 53,058                                      | (237,043)                                   |
| <b>Comprehensive Loss</b>                                                       | <b>\$ (3,380,190)</b>                       | <b>\$ (1,512,413)</b>                       |
| <b>Basic and diluted loss per share</b>                                         | <b>\$ (0.03)</b>                            | <b>\$ (0.01)</b>                            |
| <b>Weighted average number of common shares outstanding (basic and diluted)</b> | <b>111,410,762</b>                          | <b>93,199,847</b>                           |

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

**CHAKANA COPPER CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2021 AND AUGUST 31, 2020**  
(Unaudited – Expressed in Canadian Dollars)

|                                                                        | Three Months<br>Ended<br>August 31,<br>2021 | Three Months<br>Ended<br>August 31,<br>2020 |
|------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| <b>Cash Flows used in Operating Activities</b>                         |                                             |                                             |
| Net loss                                                               | \$ (3,433,248)                              | \$ (1,275,370)                              |
| Adjustments to reconcile net loss to cash used in operating activities |                                             |                                             |
| Depreciation                                                           | 34,092                                      | 25,191                                      |
| Stock-based compensation                                               | 301,656                                     | 607,092                                     |
| Unrealized foreign exchange                                            | 1,837                                       | 37,916                                      |
| Prepays and other current assets                                       | (144,672)                                   | (59,304)                                    |
| Value-added tax receivable                                             | (6,008)                                     | 434,468                                     |
| Accounts payable and accrued liabilities                               | (193,904)                                   | (66,616)                                    |
| Write-off of leasehold improvements                                    | 410,493                                     | -                                           |
|                                                                        | (3,029,754)                                 | (296,623)                                   |
| <b>Cash Flows used in Investing Activities</b>                         |                                             |                                             |
| Leasehold improvements and purchase of equipment                       | (138,403)                                   | (1,109)                                     |
| Acquisition of exploration and evaluation assets                       | (243,509)                                   | (133,373)                                   |
|                                                                        | (381,912)                                   | (134,482)                                   |
| <b>Cash Flows used in Financing Activity</b>                           |                                             |                                             |
| Repayment of lease obligation                                          | (10,487)                                    | -                                           |
|                                                                        | (10,487)                                    | -                                           |
| <b>Changes in cash during the period</b>                               | (3,422,153)                                 | (431,105)                                   |
| <b>Foreign exchange on cash</b>                                        | 107,209                                     | (23,168)                                    |
| <b>Cash and cash equivalents – beginning of the period</b>             | 8,675,790                                   | 6,680,370                                   |
| <b>Cash and cash equivalents – end of the period</b>                   | \$ 5,360,846                                | \$ 6,226,097                                |
| <b>Cash and cash equivalents consists of</b>                           |                                             |                                             |
| Cash                                                                   | \$ 5,360,846                                | \$ 1,226,097                                |
| Demand deposit – guaranteed investment certificates                    | -                                           | 9,500,000                                   |
|                                                                        | \$ 5,360,846                                | \$ 6,226,097                                |

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

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

|                                                          | Common Shares |               | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Stock<br>Option<br>Reserve | Deficit         | Total         |
|----------------------------------------------------------|---------------|---------------|--------------------------------------------------------|----------------------------|-----------------|---------------|
|                                                          | Shares        | Amount        |                                                        |                            |                 |               |
| <b>Balance – May 31, 2020</b>                            | 93,199,847    | \$ 28,740,715 | \$ 724,616                                             | \$ 1,145,871               | \$ (20,155,427) | \$ 10,455,775 |
| Other comprehensive loss for the period                  |               | -             | (237,043)                                              | -                          | -               | (237,043)     |
| Stock-based compensation                                 |               | -             | -                                                      | 607,092                    | -               | 607,092       |
| Net loss for the period                                  |               | -             | -                                                      | -                          | (1,275,370)     | (1,275,370)   |
| <b>Balance – August 31, 2020</b>                         | 93,199,847    | 28,740,715    | 487,573                                                | 1,752,963                  | (21,430,797)    | 9,550,454     |
| Private placement                                        | 18,060,516    | 9,030,258     | -                                                      | -                          | -               | 9,030,258     |
| Share issue costs                                        | -             | (342,211)     | -                                                      | -                          | -               | (342,211)     |
| Exercise of options                                      | 150,000       | 53,796        | -                                                      | (23,796)                   | -               | 30,000        |
| Vesting of stock options                                 | -             | -             | -                                                      | 861,803                    | -               | 861,803       |
| Fair value of forfeited and expired options and warrants | -             | -             | -                                                      | (72,890)                   | 72,890          | -             |
| Other comprehensive loss for the period                  | -             | -             | (184,538)                                              | -                          | -               | (184,538)     |
| Net loss for the period                                  | -             | -             | -                                                      | -                          | (7,237,326)     | (7,237,326)   |
| <b>Balance – May 31, 2021</b>                            | 111,410,363   | 37,482,558    | 303,035                                                | 2,518,080                  | (28,595,233)    | 11,708,440    |
| Other comprehensive income for the period                | -             | -             | 53,058                                                 | -                          | -               | 53,058        |
| Stock-based compensation                                 | -             | -             | -                                                      | 301,656                    | -               | 301,656       |
| Net loss for the period                                  | -             | -             | -                                                      | -                          | (3,433,248)     | (3,433,248)   |
| <b>Balance – August 31, 2021</b>                         | 111,410,363   | \$ 37,482,558 | \$ 356,093                                             | \$ 2,819,736               | \$ (32,028,481) | \$ 8,629,906  |

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

**CHAKANA COPPER CORP.**

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2021 AND AUGUST 31, 2020  
(Unaudited – Expressed in Canadian Dollars)

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**1. Nature of Operations**

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 (“TSX-V”) under the symbol “PERU”. The Corporation is currently engaged in exploration of mineral properties, with its principal focus at this stage on the exploration of the Soledad copper-gold-silver project located in central Peru (the “Soledad Project”).

The head office and principal address is 800 West Pender Street, Suite 1430, Vancouver, British Columbia, V6C 2V6, Canada. The records office of the Corporation is located at 1055 West Pender Street, Suite 1500, Vancouver, British Columbia, V6E 4V7, Canada.

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

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

**2. Basis of Preparation and Statement of Compliance**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports, including International Accounting Standard 34 *Interim Financial Reporting*. Therefore, these condensed interim consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended May 31, 2021 (“Annual Financial Statements”), which have been prepared in accordance with IFRS.

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

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

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

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2021 AND AUGUST 31, 2020  
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**3. Significant Accounting Judgments and Estimates**

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

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

- *Impairment of Exploration and Evaluation Asset*

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

- *Going Concern*

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

- *Value-added Tax Receivable*

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

- *Income Taxes*

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

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

- *Functional Currency*

The functional currency for the Corporation's subsidiary, Chakana Resources S.A.C., is the Peruvian sol – the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Corporation may reconsider the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2021 AND AUGUST 31, 2020  
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**4. Exploration and Evaluation Assets**

|                                  | <b>Condor Option</b> |           | <b>Aija Project</b> |           | <b>Total</b> |
|----------------------------------|----------------------|-----------|---------------------|-----------|--------------|
| <b>Balance – May 31, 2020</b>    | \$                   | 2,095,863 | \$                  | 466,774   | \$ 2,562,637 |
| Acquisition costs                |                      | 330,034   |                     | 237,912   | 567,946      |
| Foreign exchange on translation  |                      | (238,601) |                     | (101,142) | (339,743)    |
| <b>Balance – May 31, 2021</b>    |                      | 2,187,296 |                     | 603,544   | 2,790,840    |
| Acquisition costs                |                      | 243,510   |                     | -         | 243,510      |
| Foreign exchange on translation  |                      | (26,576)  |                     | (13,259)  | (39,835)     |
| <b>Balance – August 31, 2021</b> | \$                   | 2,404,230 | \$                  | 590,285   | \$ 2,994,515 |

The Corporation's wholly owned indirect subsidiary, Chakana Resources S.A.C., holds (i) the option to acquire a 100% ownership interest in the Soledad Project ("Condor Option"), (ii) holds an option to acquire a 100% ownership interest in the adjacent Aija Project, Peru ("Aija Project"), and (iii) holds an option to acquire up to a 100% ownership interest in other adjacent mineral concessions owned by Minera Barrick Misquichilca S.A. ("Barrick") (the "Barrick Option"). All three options are collectively referred to as the "Soledad Project". The Corporation is the operator of all related mineral exploration activities on these projects.

**(a) Condor Option**

On April 17, 2017, the Corporation entered into a Mining Assignment and Option Agreement with Minera Vertiente del Sol S.A.C. ("MVS") (the "Agreement"), a subsidiary of Condor Resources Inc. ("Condor"), pursuant to which the Corporation has the sole and exclusive option to acquire 100% of the rights and interests in the Soledad Copper/Gold Project, Peru (the Soledad Project), subject to a 2% net smelter return royalty ("NSR"). The closing date for the Agreement was June 23, 2017.

The Corporation's option to acquire rights and interests in the Soledad Project is exercisable by issuing 500,000 common shares by June 23, 2018 (issued), making aggregate cash payments of US \$5,375,000 and completing 12,500 metres of drilling on the Soledad Project.

The option exercise cash payment schedule is as follows:

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

As at August 31, 2021, the Corporation has paid installments 1 to 10, totaling US \$750,000. The June 23, 2018 installment was accompanied with the issuance of 500,000 shares of the Corporation.

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**4. Exploration and Evaluation Assets (continued)****(a) Condor Option (continued)**

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

Pursuant to the Agreement, the Corporation must complete 12,500 metres of exploration drilling at the Soledad Project. During the year ended May 31, 2018, the Corporation fulfilled the 12,500 metres of exploration drilling requirement on the Soledad Project.

**(b) Aija Project**

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

The option exercise cash payments schedule is as follows:

| Installment  | Date                                                         | Amount<br>(in US\$) |
|--------------|--------------------------------------------------------------|---------------------|
| 1            | Upon execution of Letter of Intent on October 3, 2017 (paid) | \$ 75,000           |
| 2            | Upon close of Definitive Agreement on August 1, 2018 (paid)  | 75,000              |
| 3            | February 1, 2019 (paid)                                      | 50,000              |
| 4            | August 1, 2019 (paid)                                        | 50,000              |
| 5            | February 1, 2020 (paid)                                      | 75,000              |
| 6            | November 1, 2020 (paid)                                      | 75,000              |
| 7            | May 1, 2021 (paid)                                           | 100,000             |
| 8            | November 1, 2021                                             | 100,000             |
| 9            | May 1, 2022                                                  | 100,000             |
| 10           | November 1, 2022                                             | 100,000             |
| 11           | May 1, 2023                                                  | 1,500,000           |
| <b>Total</b> |                                                              | <b>\$ 2,300,000</b> |

Under the terms of the Option, the Corporation may purchase all of the 2% NSR at any time for US \$2,000,000. There are no drilling or work expenditure commitments under the Option.

**(c) Barrick Option**

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

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(Unaudited – Expressed in Canadian Dollars)

**4. Exploration and Evaluation Assets (continued)****(c) Barrick Option (continued)**

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

**5. Property and Equipment**

|                                     | Right-of-use<br>Asset |          | Equipment    | Total        |
|-------------------------------------|-----------------------|----------|--------------|--------------|
| <b>Cost</b>                         |                       |          |              |              |
| As at May 31, 2020                  | \$                    | -        | \$ 1,105,421 | \$ 1,105,421 |
| Additions                           |                       | 251,747  | 119,467      | 371,214      |
| Foreign exchange on translation     |                       | (6,749)  | (273,974)    | (280,723)    |
| As at May 31, 2021-                 |                       | 244,998  | 950,914      | 1,195,912    |
| Additions                           |                       | -        | 138,394      | 138,394      |
| Foreign exchange on translation     |                       | (5,330)  | (16,453)     | (21,783)     |
| Write-off of leasehold improvements |                       | -        | (478,459)    | (478,459)    |
| As at August 31, 2021               | \$                    | 239,668  | \$ 594,396   | \$ 834,064   |
| <b>Accumulated depreciation</b>     |                       |          |              |              |
| As at May 31, 2020                  | \$                    | -        | \$ (214,438) | \$ (214,438) |
| Depreciation                        |                       | (4,634)  | (97,083)     | (101,717)    |
| Foreign exchange on translation     |                       | 551      | 57,437       | 57,988       |
| As at May 31, 2021                  |                       | (4,083)  | (254,084)    | (258,167)    |
| Depreciation                        |                       | (12,140) | (21,952)     | (34,092)     |
| Foreign exchange on translation     |                       | 247      | 4,966        | 5,213        |
| Write-off of leasehold improvements |                       | -        | 67,985       | 67,985       |
| As at August 31, 2021               | \$                    | (15,976) | \$ (203,085) | \$ (219,061) |
| <b>Net Book Value</b>               |                       |          |              |              |
| As at May 31, 2021                  | \$                    | 240,915  | \$ 696,830   | \$ 937,745   |
| As at August 31, 2021               | \$                    | 223,692  | \$ 391,311   | \$ 615,003   |

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**6. Lease Obligation**

|                                 |    |          |
|---------------------------------|----|----------|
| Balance – May 31, 2020          | \$ | -        |
| Additions                       |    | 251,747  |
| Interest expense                |    | 1,268    |
| Lease payments                  |    | (9,645)  |
| Currency translation adjustment |    | (6,601)  |
| Balance – May 31, 2021          |    | 236,769  |
| Interest expense                |    | 3,593    |
| Lease payments                  |    | (14,080) |
| Currency translation adjustment |    | (406)    |
| Balance – August 31, 2021       | \$ | 225,876  |
| Which consists of:              |    |          |
| Current lease liability         | \$ | 46,765   |
| Non-current lease liability     |    | 179,111  |
|                                 | \$ | 225,876  |

**7. Share Capital****(a) Authorized Share Capital**

The Corporation is authorized to issue an unlimited number of common shares without par value. As at August 31, 2021, 10,485,750 common shares are held in escrow to be released over a 13-month period.

**(b) Issued Capital**

During the three months ended August 31, 2021, no common shares were issued by the Corporation.

During the year ended May 31, 2021, the Corporation issued common shares as follows:

- On February 10, 2021, the Corporation completed the first tranche of a non-brokered private placement of 14,186,000 common shares at a price of \$0.50 for gross proceeds of \$7,093,000.
- On March 17, 2021, the Corporation completed the second and final tranche of a non-brokered private placement of 3,874,516 common shares at a price of \$0.50 for gross proceeds of \$1,937,258. In connection to the private placement, the Corporation recorded \$342,211 of share issuance costs related to finders' fees, legal and other costs of completing the private placement.
- During the year ended May 31, 2021, the Corporation issued 150,000 common shares on the exercise of options at an exercise price of \$0.20 for gross proceeds of \$30,000.

**(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.

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**7. Share Capital (continued)****(c) Stock Options (continued)**

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

|                                                   | Weighted<br>Average<br>Exercise<br>Price | Number of<br>Shares Issued or<br>Issuable on<br>Exercise |
|---------------------------------------------------|------------------------------------------|----------------------------------------------------------|
| <b>Balance – May 31, 2020</b>                     | \$0.34                                   | 4,660,000                                                |
| Granted                                           | \$0.46                                   | 5,650,000                                                |
| Expired/cancelled/forfeited                       | \$0.69                                   | (150,000)                                                |
| Exercised                                         | \$0.20                                   | (150,000)                                                |
| <b>Balance – May 31, 2021 and August 31, 2021</b> | <b>\$0.41</b>                            | <b>10,010,000</b>                                        |

During the year ended May 31, 2020, the Corporation granted 2,175,000 incentive stock options to employees and consultants. Of the 2,175,000 incentive stock options, 1,475,000 may be exercised within 5 years from the date of grant at a price of \$0.20 per common share and 700,000 options may be exercised within 3 years from the date of grant at the price of \$0.20 per common share.

During the year ended May 31, 2021, the Corporation granted 5,650,000 incentive stock options to employees and consultants exercisable for a period of 5 years from the date of grant. Of the 5,650,000 incentive stock options, 2,050,000 are exercisable at a price of \$0.40 per common share and 3,600,000 are exercisable at a price of \$0.50 per common share.

The fair value of options has been estimated using the Black-Scholes option pricing model, assuming a risk-free interest rate ranging from 0.32% to 0.93% (2020 - 1.57% to 1.96%) per annum, an expected life of options of 5 (2020 – 5) years, an expected volatility ranging from 95.57% to 106.60% (2020 - 112.26% to 121.93%) based on historical data, and no expected dividends. The Corporation has estimated the dividend and forfeiture rate to be 0.00% based on historical dividend payments and historical forfeiture rates. Expected volatility was determined based on the historical movements in the closing price of the Corporation's common shares for a length of time equivalent to the expected life of each option.

Incentive stock options outstanding and exercisable at August 31, 2021 are summarized as follows:

| Expiry Date                      | Exercise Price | August 31,<br>2021 | May 31,<br>2021   |
|----------------------------------|----------------|--------------------|-------------------|
| September 14, 2022               | \$0.40         | 2,235,000          | 2,235,000         |
| February 5, 2023                 | \$0.20         | 700,000            | 700,000           |
| March 29, 2023                   | \$0.94         | 200,000            | 200,000           |
| December 12, 2024                | \$0.20         | 1,225,000          | 1,225,000         |
| July 10, 2025                    | \$0.40         | 2,050,000          | 2,050,000         |
| April 22, 2026                   | \$0.50         | 3,600,000          | 3,600,000         |
| <b>Total outstanding options</b> | <b>\$0.41</b>  | <b>10,010,000</b>  | <b>10,010,000</b> |
| <b>Total exercisable options</b> | <b>\$0.38</b>  | <b>7,097,500</b>   | <b>5,853,750</b>  |

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**8. Exploration and Evaluation Expenditures**

The Corporation incurred exploration and evaluation expenditures as follows:

|                                        | Three Months<br>Ended<br>August 31,<br>2021 | Three Months<br>Ended<br>August 31,<br>2020 |
|----------------------------------------|---------------------------------------------|---------------------------------------------|
| Drilling                               | \$ 1,333,152                                | \$ -                                        |
| Exploration support and administration | 386,486                                     | 285,626                                     |
| Field operations and consumables       | 266,296                                     | 86,387                                      |
| Geological consultants                 | 120,448                                     | 40,100                                      |
| Sampling and geological costs          | 230,906                                     | -                                           |
| Transportation                         | 48,899                                      | 23,545                                      |
|                                        | <b>\$ 2,386,187</b>                         | <b>\$ 435,658</b>                           |

**9. Financial Instruments*****Fair Value***

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

***Credit Risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's primary exposure to credit risk is on its cash and short-term investments, which are being held in bank accounts. The cash and short-term investments are deposited in bank accounts held with one major bank in Canada, therefore, there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution, as determined by ratings agencies. The Corporation has secondary exposure to risk on its sales tax receivables. The risk is minimal since it is recoverable from the Canadian government.

***Foreign Currency Risk***

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

As at August 31, 2021 and May 31, 2021, the Corporation has not hedged its exposure to currency fluctuations.

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

|                                          | August 31, 2021 |           | May 31, 2021 |           |
|------------------------------------------|-----------------|-----------|--------------|-----------|
|                                          | Soles           | US\$      | Soles        | US\$      |
| Cash and cash equivalents                | 275,861         | 1,996,058 | 162,274      | 2,936,089 |
| Accounts payable and accrued liabilities | (1,110,726)     | (487,959) | (905,745)    | (706,371) |
| Net                                      | (834,865)       | 1,508,099 | (743,471)    | 2,229,718 |
| Canadian dollar equivalent               | (257,889)       | 1,902,768 | (234,788)    | 2,656,684 |

Based on the above net exposures as at August 31, 2021, a 5% (May 31, 2020 - 5%) change in the Canadian dollar/Peruvian sol and Canadian/US dollars exchange rate would impact the Corporation's income (loss) and comprehensive income (loss) by approximately \$12,900 and \$95,100 (May 31, 2021 - \$12,000 and \$133,000), respectively.

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**9. Financial Instruments (continued)****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 August 31, 2021, the Corporation has cash and cash equivalents of \$5,360,846 (May 31, 2021 - \$8,675,790) and current liabilities of \$1,099,322 (May 31, 2021 - \$1,288,798).

**10. Management of Capital**

The Corporation's primary objectives in capital management are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the development of the Soledad and Aija projects. Capital is comprised of the Corporation's shareholders' equity. The Corporation manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. To maintain or adjust its capital structure, the Corporation may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash.

**11. Segmented Information**

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

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

|                                   | Canada |           | Peru |           | Total         |
|-----------------------------------|--------|-----------|------|-----------|---------------|
| <b>As at August 31, 2021</b>      |        |           |      |           |               |
| Current assets                    | \$     | 4,826,021 | \$   | 908,476   | \$ 5,734,497  |
| Exploration and evaluation assets |        | -         |      | 2,994,515 | 2,994,515     |
| Property and equipment            |        | -         |      | 615,003   | 615,003       |
| Value-added tax receivable        |        | -         |      | 564,324   | 564,324       |
|                                   | \$     | 4,826,021 | \$   | 5,082,318 | \$ 9,908,339  |
| <b>As at May 31, 2021</b>         |        |           |      |           |               |
| Current assets                    | \$     | 8,681,889 | \$   | 222,880   | \$ 8,904,769  |
| Exploration and evaluation assets |        | -         |      | 2,790,840 | 2,790,840     |
| Property and equipment            |        | -         |      | 937,745   | 937,745       |
| Value-added tax receivable        |        | -         |      | 558,316   | 558,316       |
|                                   | \$     | 8,681,889 | \$   | 4,509,781 | \$ 13,191,670 |

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**12. Related Party Disclosures**

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

**(a) Key Management Personnel Compensation**

During the three months ended August 31, 2021 and August 31, 2020, the Corporation paid and/or accrued the following fees to key management personnel:

|            |    | August 31,<br>2021 |    | August 31,<br>2020 |
|------------|----|--------------------|----|--------------------|
| Management | \$ | 63,501             | \$ | 67,018             |
| Directors  |    | 56,688             |    | 34,516             |
|            | \$ | 120,189            | \$ | 101,534            |

**(b) Due to Related Parties**

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

|            |    | August 31,<br>2021 |    | May 31,<br>2021 |
|------------|----|--------------------|----|-----------------|
| Management | \$ | 5,250              | \$ | -               |
| Directors  |    | 49,000             |    | 48,250          |
|            | \$ | 54,250             | \$ | 48,250          |

**13. Contingency**

Subsequent to August 31, 2021, a former employee who had the role of community relations manager for the Corporation's subsidiary filed a claim against the Corporation alleging he suffered an injury while working with the Corporation and is seeking compensation for damages of up to US \$390,000. The former employee was employed during 2019 and has provided no evidence such injury occurred while employed by the Corporation nor if such injury was a direct result of his employment. The Corporation believes the claim is without merit and intends to vigorously defend its position. A hearing is scheduled for November 4, 2021. As the outcome of this claim is uncertain no amount has been accrued for any potential loss under this complaint.