



CHAKANA COPPER CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2021 AND 2020

(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CHAKANA COPPER CORP.

Opinion

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

- ♦ the consolidated statements of financial position as at May 31, 2021 and 2020;
- ♦ the consolidated statements of loss and comprehensive loss for the years then ended;
- ♦ the consolidated statements of changes in equity for the years then ended;
- ♦ the consolidated statements of cash flows for the years then ended; and
- ♦ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at May 31, 2021 and 2020, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$8,512,696 during the year ended May 31, 2021 and, as of that date, had an accumulated deficit of \$28,595,233. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- ♦ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ♦ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

September 23, 2021

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CHAKANA COPPER CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT

(expressed in Canadian Dollars)

		May 31, 2021		May 31, 2020
ASSETS				
Current Assets				
Cash and cash equivalents (note 12)	\$	8,675,790	\$	6,680,370
Prepaid and other current assets		228,979		135,038
		8,904,769		6,815,408
Non-Current Assets				
Exploration and evaluation assets (Note 5)		2,790,840		2,562,637
Property and Equipment (Note 6)		937,745		890,983
VAT receivable (Note 7)		558,316		525,815
Total Assets	\$	13,191,670	\$	10,794,843
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities (Note 15)	\$	1,246,461	\$	339,068
Current portion of lease obligation (Note 8)		42,337		-
		1,288,798		339,068
Non-Current Liabilities				
Lease obligation (Note 8)		194,432		-
Total Liabilities		1,483,230		339,068
Shareholders' Equity				
Common shares (Note 9)		37,482,558		28,740,715
Stock option reserve (Note 9)		2,518,080		1,145,871
Accumulated other comprehensive loss		303,035		724,616
Deficit		(28,595,233)		(20,155,427)
		11,708,440		10,455,775
Total Liabilities and Shareholders' Equity	\$	13,191,670	\$	10,794,843

Nature of Operations and Going Concern (Note 1)

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

Approved on behalf of the Board of Directors

/s/ Tom Wharton

Tom Wharton, Director

/s/ Darren Devine

Darren Devine, Director

CHAKANA COPPER CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED

(expressed in Canadian Dollars, except share amounts)

	May 31, 2021	May 31, 2020
OPERATING EXPENSES		
Consulting fees (Note 15)	\$ 238,552	\$ 270,636
Exploration and evaluation expenditures (Note 10)	5,372,912	3,209,197
Depreciation (Note 6)	101,717	102,522
General and administrative expenses	370,773	572,631
Investor relations	393,516	195,292
Legal and professional fees	156,639	139,904
Salaries and wages (Note 15)	291,495	437,004
Stock-based compensation (Note 9 and 15)	1,468,895	254,393
Travel and meals	1,650	117,168
Operating Expenses	(8,396,149)	(5,298,747)
Other		
Foreign exchange loss	(224,307)	(401,470)
Interest income	20,990	146,062
Misuse of funds	-	(59,190)
Recovery of VAT previously written off (Note 7)	86,770	-
Net Loss	(8,512,696)	(5,613,345)
Other Comprehensive Income		
Foreign currency translation	(421,581)	336,534
Comprehensive Loss	\$ (8,934,277)	\$ (5,276,811)
Basic and diluted loss per share	\$ (0.09)	\$ (0.06)
Weighted average number of shares outstanding (basic and diluted)	98,377,926	95,024,984

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

CHAKANA COPPER CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED

(expressed in Canadian Dollars)

	May 31, 2021	May 31, 2020
Cash Flows used in Operating Activities		
Net loss	\$ (8,512,696)	\$ (5,613,345)
Adjustments to reconcile net loss to cash used in operating activities		
Depreciation	101,717	102,522
Stock-based compensation	1,468,895	254,393
Unrealized foreign exchange gain/loss	554,685	327,264
Change in prepaids and other current assets	(93,941)	112,689
Change in accounts payable and accrued liabilities	907,393	(187,026)
Increase in VAT receivable	(181,803)	(110,836)
	(5,755,750)	(5,114,339)
Cash Flows used in Investing Activities		
Purchase of equipment	(119,463)	(90,259)
Acquisition of exploration and evaluation assets	(567,946)	(392,770)
	(687,409)	(483,029)
Cash Flows from Financing Activities		
Net proceeds from issuance of common shares	8,688,047	-
Proceeds from exercise of options	30,000	-
Repayment of lease obligation	(8,377)	-
	8,709,670	-
Changes in cash and cash equivalents during the year	2,266,511	(5,597,368)
Foreign exchange on cash	(271,091)	(1,299)
Cash and cash equivalents – Beginning of the year	6,680,370	12,279,037
Cash and cash equivalents – End of the year	\$ 8,675,790	\$ 6,680,370
Cash and cash equivalents consists of		
Cash	\$ 6,675,790	\$ 6,680,370
Demand deposit – guaranteed investment certificates	2,000,000	-
	\$ 8,675,790	\$ 6,680,370
Supplemental disclosures with respect to cash flows		
Cancellation of shares	\$ -	\$ 1,233,509

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

CHAKANA COPPER CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MAY 31, 2021 AND 2020

(expressed in Canadian Dollars, except share amounts)

	<u>Common Shares</u>			Accumulated Other Comprehensive Loss		Warrant Reserve		Stock Option Reserve		Deficit		Total
	Shares	Amount										
Balance – May 31, 2020	97,199,847	\$ 29,974,224	\$	388,082	\$	1,133,947	\$	1,512,084	\$	(17,530,144)	\$	15,478,193
Net loss for the year	-	-		-		-		-		(5,613,345)		(5,613,345)
Other comprehensive Income for the year	-	-		336,534		-		-		-		336,534
Vesting of stock options	-	-		-		-		254,393		-		254,393
Fair value of cancelled and expired options and warrants	-	-		-		(1,133,947)		(620,606)		1,754,553		-
Cancellation of shares (Notes 8)	(4,000,000)	(1,233,509)		-		-		-		1,233,509		-
Balance – May 31, 2020	93,199,847	\$ 28,740,715	\$	724,616	\$	-	\$	1,145,871	\$	(20,155,427)	\$	10,455,775
Net loss for the year	-	-		-		-		-		(8,512,696)		(8,512,696)
Other comprehensive loss for the year	-	-		(421,581)		-		-		-		(421,581)
Private placement	18,060,516	9,030,258		-		-		-		-		9,030,258
Share issue cost	-	(342,211)		-		-		-		-		(342,211)
Exercise of options	150,000	53,796		-		-		(23,796)		-		30,000
Vesting of stock options	-	-		-		-		1,468,895		-		1,468,895
Fair value of forfeited and expired options and warrants	-	-		-		-		(72,890)		72,890		-
Balance – May 31, 2021	111,410,363	\$ 37,482,558	\$	303,035	\$	-	\$	2,518,080	\$	(28,595,233)	\$	11,708,440

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

1. Nature of Operations and Going Concern

Chakana Copper Corp. (the "Corporation") was incorporated on May 2, 2011, under the laws of the province of British Columbia, Canada. The Corporation is listed on the TSX Venture Exchange ("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, principal address is located at 800 West Pender Street, Suite 1430, Vancouver, British Columbia, V6C 2V6, Canada and 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 Corporation incurred a net loss of \$8,512,699 during the year ended May 31, 2021 and, as of that date, had an accumulated deficit of \$28,595,233. There is no assurance that sufficient future funding will be available on a timely basis or on terms acceptable to the Corporation. These conditions indicate the existence of material uncertainties that may cast significant doubt as to the ability of the Corporation to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern is in significant doubt. No adjustments have been made to the amounts and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern. Such adjustment could be material.

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 and its ability to obtain the required financing for its going concern. The Corporation has taken measures that have allowed the Corporation continue operations including its drilling program.

2. Basis of Preparation and Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. These consolidated financial statements were approved by the Board of Directors on September 23, 2021.

The Corporation's consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information and are presented in Canadian dollars except where otherwise indicated.

3. Significant Accounting Policies

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

(a) Basis of Consolidation

The Corporation's consolidated financial statements include the accounts of the Corporation and its subsidiaries. Subsidiaries are entities controlled by the Corporation, where control is achieved by the Corporation being exposed to, or having rights to, variable returns from its involvement with the entity and having the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation, and are deconsolidated from the date that control ceases. The Corporation currently has one wholly owned subsidiary: Chakana Resources S.A.C. During the year ended May 31, 2020, a former subsidiary 1124467 B.C. Ltd was amalgamated with the Corporation with the Corporation being the surviving entity. 1124467 B.C. Ltd.'s jurisdiction was in Canada and Chakana Resources S.A.C is a Peruvian company.

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

(b) Cash equivalents

Cash equivalents include short-term liquid investments that are cashable or readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value.

(c) Exploration and Evaluation Assets

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

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

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

(d) Equipment

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

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

Equipment	3-10 years
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Where components of an item of equipment have different useful lives or for which different depreciation rates would be appropriate, they are accounted for as separate items of equipment.

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

3. Significant Accounting Policies (continued)

(e) Impairment of Long-Lived Assets

Impairment tests for non-current assets are performed when there is an indication of impairment. At each reporting date, an assessment is made to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the non-current asset's recoverable amount is calculated. The recoverable amount is determined at the higher of fair value less costs of disposal and the asset's value in use. If the carrying value of a non-current asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit and loss so as to reduce the carrying amount of the non-current asset to its recoverable amount.

(f) Value-Added Tax Receivable

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

(g) Decommissioning Liabilities

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

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

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

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

3. Significant Accounting Policies (continued)

(h) Current and Deferred Income Taxes

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

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

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

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

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

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

(i) Share Capital

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

(j) Equity Unit

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

3. Significant Accounting Policies (continued)

(k) Share-based Payment Transactions

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

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

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

(l) Foreign Currencies

The consolidated financial statements are presented in Canadian dollars. The functional currency of the Corporation and its subsidiaries are measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the Corporation and 1124467 B.C. Ltd. is the Canadian dollar, and the functional currency of Chakana Resources S.A.C. is the Peruvian Sol.

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

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

- assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction); and
- all resulting exchange differences are recognized as a separate component of equity.

3. Significant Accounting Policies (continued)

(m) Earnings (Loss) Per Share

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

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

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

(n) Leases

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

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

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

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

(o) Financial Instruments

Financial Assets

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

Financial assets measured at amortized cost:

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Corporation's business model for the such financial assets is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

3. Significant Accounting Policies (continued)

(n) Financial Instruments (continued)

Financial Assets (continued)

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary. Cash and cash equivalents are classified as financial assets at amortized costs.

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

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income.

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

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

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

Financial Liabilities

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

4. Significant Accounting Judgments and Estimates

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

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

4. Significant Accounting Judgments and Estimates (Continued)

Critical accounting judgments:

- *Impairment of Exploration and Evaluation Assets*

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

- *Going Concern*

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

- *Functional Currency*

The functional currency 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 reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment.

- *Income taxes*

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

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

- *Value Added Tax ("VAT")*

Management's assumptions regarding the recoverability of Value Added Tax ("VAT") receivable at the end of each reporting period is made using all relevant facts available, including past collectability, the development of VAT policies and the general economic environment of the country to determine if a write-down of the VAT is required. Collection of the amount receivable depends on processing and payment of the claims by the local government, which historically has been very slow. While the Corporation is still pursuing collection, with the delay in processing and collection, the Company has been receiving back its VAT from prior years and as such, management has determined for the year ended May 31, 2021 that it is appropriate to record the VAT as a receivable. The timing and amount of the VAT ultimately collectible could be materially different from the amount recorded in the consolidated financial statements.

- *Leases*

The Company applies judgment in determining whether the contract contains an identified asset, whether the Company has the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create economic incentive to exercise renewal options.

4. Significant Accounting Judgments and Estimates (Continued)

Critical accounting estimates:

- *Stock-based compensation*

Stock-based compensation is valued using the Black-Scholes Option Pricing Model at the date of grant and expensed in profit or loss over vesting period of each award. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Stock-based compensation expense also utilizes subjective assumption on forfeiture rate. Changes in these input assumptions can significantly affect the fair value estimate.

5. Exploration and Evaluation Assets

	Condor Option		Aija Project		Total
Balance – May 31, 2019	\$	1,880,111	\$	282,941	\$ 2,163,052
Acquisition costs		212,072		180,698	392,770
Foreign exchange on translation		3,680		3,135	6,815
Balance – May 31, 2020	\$	2,095,863	\$	466,774	\$ 2,562,637
Acquisition costs		330,034		237,912	567,946
Foreign exchange on translation		(238,601)		(101,142)	(339,743)
	\$	2,187,296	\$	603,544	\$ 2,790,840

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

(i) Soledad Project, Peru ("Condor Option")

On April 17, 2017, the Corporation entered into the Mining Assignment and Option Agreement with Minera Vertiente del Sol SAC ("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 USD \$5,375,000 as per the following schedule, and completing 12,500 meters of drilling on the Soledad Project (completed). During the year ended May 31, 2021, the Corporation renegotiated the payment schedule.

5. Exploration and Evaluation Assets (Continued)

The option exercise cash payments schedule are as follows:

Instalment	Date		Amount (in USD\$)
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 subsequent to May 31, 2021)		200,000
11	December 23, 2021		200,000
12	April 23, 2022		4,425,000
Total		\$	5,375,000

As at May 31, 2021, the Corporation has paid instalments 1 to 9, totalling USD \$550,000 and issued 500,000 common shares of the Corporation.

Under the agreement, the Corporation may purchase from MVS 50% of the NSR, equal to a 1% NSR, for USD \$2,000,000 at any time.

On March 18, 2019, the Corporation purchased a 1% NSR on the Soledad Project for \$369,902 (USD \$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 USD \$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 USD \$1,000,000.

(ii) Aija Project, Peru ("Aija Project")

On March 20, 2018, the Corporation entered into an Option Agreement (the "Option") with an arms-length third party to acquire 100% of the rights and interest in the Aija Project (the "Aija Project") subject to a 2% NSR. During the year ended May 31, 2021, the Corporation renegotiated the payment schedule.

The option exercise cash payments schedule is as follows:

Instalment	Date		Amount (in USD\$)
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
Total		\$	2,300,000

5. Exploration and Evaluation Assets (Continued)

As at May 31, 2021, the Company has paid instalments 1 to 7, totalling US \$500,000.

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

(iii) Barrick Option Agreement ("Barrick Option")

On July 11, 2018, Mineral Barrick Misquichilca S.A. ("Barrick") granted the Corporation an option to acquire a 100% interest in three concessions adjoining the southern extent of the Aija Project ("Barrick Option"). Under terms of the agreement, the Corporation has 5 years in total (2 years remaining) to complete a minimum of 2,000 meters of drilling and produce a Preliminary Economic Assessment report compliant with National Instrument 43-101. Upon exercise of the option, Barrick will retain a 2% NSR subject to the Corporation's right to purchase 50% of the royalty for USD \$2,000,000.

Barrick will have a one-time right to re-acquire 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 7 years of the Back-in Closing Date, Barrick will make pre-royalty payments of USD \$75,000 per year until a production decision is made for a maximum of 5 years (USD \$375,000). If the Corporation does not contribute its share of project costs its interest will be diluted until 10%, upon which its interest will be converted to a 2% NSR with Barrick retaining a right to purchase 50% of the royalty for USD \$2,000,000.

6. Property and Equipment

	Right of use asset		Equipment		Total
Cost					
As at May 31, 2019	\$	-	\$	1,012,258	\$ 1,012,258
Additions		-		90,259	90,259
Foreign exchange on translation		-		2,904	2,904
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
Accumulated depreciation					
As at May 31, 2019	\$	-	\$	(109,949)	\$ (109,949)
Depreciation		-		(102,522)	(102,522)
Foreign exchange on translation		-		(1,967)	(1,967)
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)
Net Book Value					
As at May 31, 2020	\$	-	\$	890,983	\$ 890,983
As at May 31, 2021	\$	240,915	\$	696,830	\$ 937,745

CHAKANA COPPER CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020
(expressed in Canadian Dollars)

7. VAT Receivable

		May 31 2021		May 31, 2020
VAT receivable	\$	558,316	\$	525,815

As at May 31, 2021, the Corporation has \$558,316 (2020 - \$525,815), net of an allowance for uncollectible amounts, in VAT receivable refundable from Peruvian tax authorities. During the year ended 2021 the Corporation received VAT in the amount of \$86,770 which was written down in a prior year. Management has determined to classify VAT receivable as long-term due to uncertainty of timing when it will be received.

8. Lease Obligation

Balance, May 31, 2020	\$	-
Additions		251,747
Interest expense		1,268
Lease payments		(9,645)
Currency translation adjustment		(6,601)
Balance, May 31, 2021	\$	236,769
Which consists of:		
Current lease liability	\$	42,337
Non-current lease liability		194,432
	\$	236,769

On May 1, 2021, the Corporation entered into a lease agreement for its Peruvian warehouse for a five-year term, expiring April 30, 2026. Pursuant to this lease, the Corporation is obligated to pay basic rent of 15,000 soles (approximately CAN \$4,737) on a monthly basis. The right-of-use asset and lease obligation were measured at the present value of the lease payments and discounted using an incremental borrowing rate of 6.4%

9. Share Capital

(a) Authorized Share Capital

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

(b) Issued Capital

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.

9. Share Capital (continued)

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

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

(c) Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – May 31, 2019	\$0.57	1,626,066
Expiry of warrants	\$0.57	(1,626,066)
Balance – May 31, 2020 and 2021	-	-

(d) Stock Options

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

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

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance, May 31, 2019	\$0.46	4,010,000
Granted	\$0.20	2,175,000
Cancellation of stock options	\$0.40	(1,525,000)
Balance, May 31, 2020	\$0.34	4,660,000
Granted	\$0.46	5,650,000
Expired/cancelled/forfeited	\$0.69	(150,000)
Exercised	\$0.20	(150,000)
Balance, May 31, 2021	\$0.41	10,010,000

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.

9. Share Capital (continued)

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 years (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 Company 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 Company's common shares for a length of time equivalent to the expected life of each option.

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

Expiry Date	Exercise Price	2021	2020
September 14, 2022	\$0.40	2,235,000	2,235,000
February 5, 2023	\$0.20	700,000	700,000
March 29, 2023	\$0.94	200,000	300,000
December 12, 2024	\$0.20	1,225,000	1,425,000
July 10, 2025	\$0.40	2,050,000	-
April 22, 2026	\$0.50	3,600,000	-
Total outstanding options	\$0.41	10,010,000	4,660,000
Total exercisable options	\$0.38	5,853,750	3,203,750

10. Exploration and Evaluation Expenditures

The Corporation incurred exploration and evaluation expenditures as follows:

	Year ended May 31, 2021	Year ended May 31, 2020
Drilling	\$ 2,560,911	\$ 752,285
Exploration support and administration	1,240,293	1,131,379
Field operations and consumables	715,468	714,452
Geological consultants	180,107	241,310
Sampling and geological costs	449,302	173,657
Travel	226,831	196,114
	\$ 5,372,912	\$ 3,209,197

11. Income Tax

Income Tax Reconciliation

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

		Year ended May 31, 2021		Year ended May 31, 2020
Loss before income taxes	\$	(8,512,696)	\$	(5,613,345)
Statutory tax rate		27%		27%
Expense (recovery) at statutory rate		(2,298,428)		(1,515,603)
Effect of different foreign statutory rates		(165,028)		(113,445)
Permanent differences		396,602		68,686
Foreign exchange on timing differences		667,154		(37,346)
Net change in benefits of tax attributes not recognized		1,399,700		1,597,708
	\$	-	\$	-

Tax Attributes Not Recognized

		May 31, 2021		May 31, 2020
Non-capital losses	\$	23,854,671	\$	18,592,804
Share issuance costs	\$	672,089	\$	392,330

As at May 31, 2021, the Corporation has non-capital losses of approximately \$5,114,000 (2020 - \$ 3,221,000) carried for Canadian income tax purposes. These non-capital losses expire beginning August 31, 2037.

The Corporation also has non-capital losses of approximately \$18,741,000 (May 31, 2020 - \$15,370,000) carried forward for Peruvian income tax purposes which are available for application against future taxable income. These non-capital losses can be used indefinitely.

Future income tax benefits which may arise as a result of these losses have not been recognized in the financial statements as their realization is not probable.

12. Financial Instruments

Credit risk

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

Foreign currency risk

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

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

	May 31, 2021		May 31, 2020	
	Soles	US\$	Soles	US\$
Cash and cash equivalents	162,274	2,936,089	19,255	120,054
Accounts payable and accrued liabilities	(905,745)	(706,371)	(208,472)	(28,958)
Net	(743,471)	2,229,718	(189,217)	91,096
Canadian dollar equivalent	(234,788)	2,656,684	(75,384)	124,163

Based on the above net exposures as at May 31, 2021, a 5% (2020 - 5%) change in the Canadian dollar/Peruvian sol and Canadian/US dollars exchange rate would impact the Corporation's loss and comprehensive loss by approximately \$12,000 and \$133,000 (May 31, 2020 - \$3,800 and \$6,200), respectively. As at May 31, 2021 and 2020, the Corporation has not hedged its exposure to currency fluctuations.

Interest rate risk

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

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in satisfying financial obligations as they become due. The Corporation manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At May 31, 2021, the Corporation has cash and cash equivalents of \$8,675,790 (2020 - \$6,680,370), current liabilities of \$1,288,798 (2020 - \$339,068) and non-current liabilities of \$194,432 (2020 - \$nil). The Cash equivalents matures on June 21, 2021 with interest rate of prime rate less 1.80%. They are redeemable at any time during the term with no penalties.

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

As at	May 31, 2021		May 31, 2020	
Due Date				
0 – 90 days	\$	1,260,678	\$	339,068
91 – 365 days		42,633		-
More than 1 year		227,376		-
	\$	1,530,687	\$	339,068

12. Financial Instruments (continued)

Determination of Fair value

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

Fair Value Hierarchy

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

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

13. Management of Capital

The Corporation's primary objectives in capital management are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the development of the Soledad and Aija Projects. Capital is comprised of the Corporation's shareholders' equity. The Corporation manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. To maintain or adjust its capital structure, the Corporation may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Corporation is not subject to any externally imposed capital requirements. The Corporation did not change its approach to capital management during the year ended May 31, 2021.

14. Segmented Information

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

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

		Canada		Peru		Total
As at May 31, 2020						
Current Assets	\$	6,697,388	\$	118,020	\$	6,815,408
Equipment		-		890,983		890,983
Exploration and evaluation assets		-		2,562,637		2,562,637
VAT receivable		-		525,815		525,815
	\$	6,697,388	\$	4,097,455	\$	10,794,843
As at May 31, 2021						
Current Assets	\$	8,681,889	\$	222,880	\$	8,904,769
Equipment		-		937,745		937,745
Exploration and evaluation assets		-		2,790,840		2,790,840
VAT receivable		-		558,316		558,316
	\$	8,681,889	\$	4,509,781	\$	13,191,670

15. Related Party Disclosures

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

(a) Key Management Personnel Compensation

During the years ended May 31, 2021 and 2020, the Corporation paid and/or accrued the following compensation for salaries, fees and stock-based compensation to key management personnel:

		May 31, 2021		May 31, 2020
Fees				
Management included in salaries and wages	\$	258,401	\$	331,005
Directors included in consulting fees		155,380		174,416
Stock based compensation		785,089		45,253
	\$	1,198,870	\$	550,674

(b) Due to Related Parties

The Corporation has the following amounts due to related parties. The amounts owing are non-interest-bearing, unsecured and due on demand.

		May 31, 2021		May 31, 2020
Directors	\$	48,250	\$	43,143
	\$	48,250	\$	43,143

16. Contingencies

Subsequent to May 31, 2021, a former employee who had the role of community relations manager for the Company's subsidiary filed a claim against the Company alleging he suffered an injury while working with the Company and is seeking compensation for damages of up to USD \$390,000. The former employee was employed during 2019 and has provided no evidence such injury occurred while employed by the Company nor if such injury was a direct result of his employment. The Company 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.