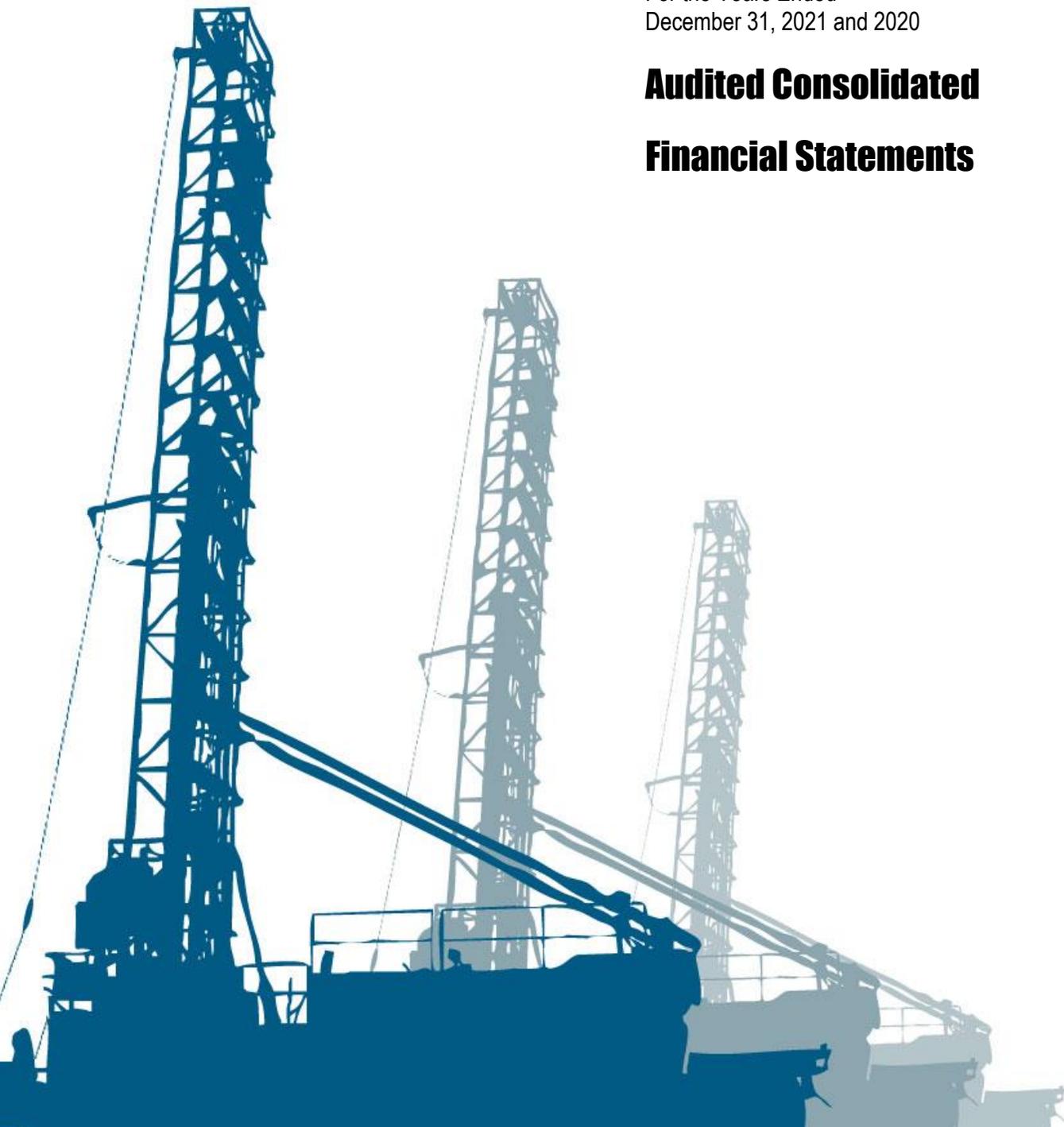


ZINCORE METALS INC.



For the Years Ended  
December 31, 2021 and 2020

# **Audited Consolidated Financial Statements**



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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholders of Zincore Metals Inc.**

We have audited the financial statements of Zincore Metals Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations and comprehensive income (loss), changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 is sufficient and appropriate to provide a basis for our opinion.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has not generated any revenues, incurred a net loss of \$93,432, and had negative cash flow of \$96,534 from operations during the year ended December 31, 2021 and, as of that date, the Company has an accumulated deficit of \$70,624,424. As stated in Note 1 of the financial statements, these events or conditions along with other matters, 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 the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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 auditor's report is Henry Chow.

### **Other Matter**

The financial statements of the Company for the year ended December 31, 2020 were audited by another firm who expressed an unmodified conclusion on those financial statements on May 28, 2021.



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

May 2, 2022



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

IN CANADIAN DOLLARS

	DECEMBER 31, 2021	DECEMBER 31, 2020
<b>Assets</b>		
Current assets		
Cash	\$ 10,510	\$ 107,044
Prepaid and other receivables	4,133	3,053
<b>Total Assets</b>	<b>\$ 14,643</b>	<b>\$ 110,097</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 760,647	\$ 767,361
Promissory note (note 6)	437,514	405,833
Other liabilities	-	32,428
Shareholder loan (note 5)	546,060	548,387
<b>Total Liabilities</b>	<b>1,744,221</b>	<b>1,754,009</b>
<b>Shareholders' Equity (Deficit)</b>		
Share capital (note 3)	57,015,123	57,015,123
Reserves	11,879,724	11,871,957
Deficit	(70,624,425)	(70,530,992)
Total Shareholders' Equity (Deficit)	(1,729,578)	(1,643,912)
<b>Total Liabilities and Shareholders' Equity (Deficit)</b>	<b>\$ 14,643</b>	<b>\$ 110,097</b>

Nature and continuance of operations (note 1)  
Commitments (note 7)

Approved by the Board of Directors

"Adam Ho", Director

"Sam Wong", Director

See accompanying notes to the consolidated financial statements



## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

IN CANADIAN DOLLARS

	YEAR ENDED DECEMBER 31, 2021	YEAR ENDED DECEMBER 31, 2020
<b>Expenses</b>		
Consulting and management fee (note 5)	\$ 36,000	\$ 60,000
Foreign exchange loss (gain)	4,678	(8,308)
General administration	32,645	30,090
General exploration expense	-	8,969
Legal and accounting (note 5)	37,764	95,838
Total expenses	111,087	186,589
Net loss before other income (expense)	(111,087)	(186,589)
Other income (expense)		
Gain on settlement of debt	49,458	-
Interest expense (note 6)	(31,804)	(65,334)
Other income	-	234,754
Reversal of gain on debt settlement	-	(264,309)
Total other income (expense)	17,654	(94,889)
<b>Net loss</b>	(93,433)	(281,478)
Other comprehensive income (loss):		
Foreign currency translation	7,766	13,292
Total comprehensive income (loss)	\$ (85,667)	\$ (268,186)
Loss per share - basic and diluted	\$ (0.00)	\$ (0.01)
Weighted average number of shares outstanding – basic and diluted	19,106,338	19,106,338

See accompanying notes to the consolidated financial statements



## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

IN CANADIAN DOLLARS

	SHARE CAPITAL		RESERVES			DEFICIT	TOTAL SHAREHOLDERS' EQUITY (DEFICIT)
	NUMBER OF SHARES	AMOUNT	SHARE-BASED PAYMENT RESERVE	WARRANTS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at December 31, 2019	19,106,338	\$ 57,015,123	\$ 4,585,368	\$ 4,898,537	\$ 2,374,760	\$ (70,249,514)	\$ (1,375,726)
Net loss for the year	-	-	-	-	-	(281,478)	(281,478)
Other comprehensive income	-	-	-	-	13,292	-	13,292
Balance at December 31, 2020	19,106,338	\$ 57,015,123	\$ 4,585,368	\$ 4,898,537	\$ 2,388,052	\$ (70,530,992)	\$ (1,643,912)
Balance at December 31, 2020	19,106,338	\$ 57,015,123	\$ 4,585,368	\$ 4,898,537	\$ 2,388,052	\$ (70,530,992)	\$ (1,643,912)
Net loss for the year	-	-	-	-	-	(93,433)	(93,432)
Other comprehensive income	-	-	-	-	7,766	-	7,766
Balance at December 31, 2021	19,106,338	\$ 57,015,123	\$ 4,585,368	\$ 4,898,537	\$ 2,395,818	\$ (70,624,425)	\$ (1,729,579)

See accompanying notes to the consolidated financial statements



## CONSOLIDATED STATEMENTS OF CASH FLOWS

IN CANADIAN DOLLARS

	YEAR ENDED DECEMBER 31, 2021	YEAR ENDED DECEMBER 31, 2020
<b><u>OPERATING ACTIVITIES</u></b>		
Net loss	\$ (93,433)	\$ (281,478)
Items not involving cash:		
Reversal of gain on debt settlement	-	264,309
Gain on debt settlement	(49,458)	-
Accretion expense – loan	-	8,418
Foreign exchange	4,678	(8,308)
	(138,213)	(17,059)
Changes in non-cash operating working capital items:		
Prepaid and other receivables	(1,080)	(49)
Accounts payable and accrued liabilities	42,759	114,307
<b>Cash provided by (used in) operating activities</b>	<b>(96,534)</b>	<b>97,199</b>
<b><u>FINANCING ACTIVITIES</u></b>		
Proceeds from promissory note	-	6,814
<b>Cash provided by financing activities</b>	<b>-</b>	<b>6,814</b>
Change in cash during the year	(96,534)	104,013
Cash at beginning of the year	107,044	3,031
Cash at end of the year	\$ 10,510	\$ 107,044

See accompanying notes to the consolidated financial statements



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

(all items are in Canadian dollars except as otherwise notes)

## 1/ NATURE AND CONTINUANCE OF OPERATIONS

Zincore Metals Inc. ("Zincore" or the "Company") located at 1166 Alberni Street, Suite 1201, Vancouver BC, V6E 3Z3, is an exploration company focused on the identification, acquisition, exploration, evaluation and development of zinc and related base metals projects in Peru. Its primary objective is to define economically feasible projects through focused exploration and to develop, joint venture, or sell properties of economic merit. As at December 31, 2021, the Company no longer holds any exploration properties.

These consolidated financial statements have been prepared on a going concern basis. Zincore does not generate cash flows from operations and accordingly, Zincore will need to raise additional funds through future issuance of securities, loans or other financing. Although Zincore has been successful in raising funds in the past, there can be no assurance Zincore will be able to raise sufficient funds in the future, in which case Zincore may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if Zincore will attain a profitable level of operations. At December 31, 2021, Zincore has incurred cumulative losses of \$70,624,425 (December 31, 2020 — \$70,530,992) since inception and has a working capital deficit of \$1,729,578 (December 31, 2020 - \$1,643,912) and is unable to pay all of its commitments as they come due. The Company is currently pursuing its alternatives for financing, including potential partnerships. These factors indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Should Zincore be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statements of consolidated financial position.

The Company was incorporated as Peru Zinc Corporation on September 21, 2005 in the Province of British Columbia. The Company subsequently changed its name to Southern Zinc Corporation on April 26, 2006 and to Zincore Metals Inc. on June 5, 2006. In November 2006, Zincore completed an initial public offering and commenced trading on the Toronto Stock Exchange ("TSX"). In May 2010, the Company's shares were approved for trading on the Lima Stock Exchange, or Bolsa de Valores de Lima ("BVL"). On March 20, 2015, the Company announced that it had applied for voluntary delisting of its shares from the TSX and concurrently applied for a listing on the NEX, a separate board of the TSX-V. At market close on March 30, 2015, the Company's shares ceased to trade on the TSX and commenced trading on the NEX at market open on March 31, 2015 under the symbol "ZNC.H". Given that the Company's listing on the BVL was conditional in part on a TSX or TSX-V listing, the Company's shares ceased to trade on the BVL during the first quarter of 2015. Zincore shares are not differentiated based on the exchange they are bought or sold on. Accordingly, shareholders who purchased shares on the BVL are still able to complete transactions on the NEX subject to the capabilities of their broker/dealer. On July 26, 2016, the Company's shares commenced trading on the NEX, on a consolidated basis at the open of market. The Company's name and trading symbol (ZNC.H) remain the same.

On January 21, 2019, the Company announced that it had entered into a Letter of Intent ("LOI") dated January 13, 2019 with Mines & Metals Trading (Peru) PLC, ("MMTP") Upon successful completion of the proposed acquisition of the securities of MMTP (the "Transaction"), it was anticipated that the Company (the "Resulting Issuer") will be listed as a Tier 2 issuer on the TSX Venture Exchange ("TSX-V"). On September 1, 2020, the reverse takeover transaction of Zincore by MMTP, as originally announced January 21, 2019 was mutually terminated. The Company will now resume its search for ways to best create value for its shareholders and will update the market as information becomes available. The Company's common stock is currently halted for trading due to the MMTP transaction, which has been subsequently discontinued. The Company is currently working towards obtaining approval to resume trading.

### *COVID-19*

During March 2021, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by almost all levels of government in Canada and around the World regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence, however, it has gotten demonstrably more difficult to conduct normal business tasks and source potential financing. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

As at December 31, 2021, the Company has adopted proper safety protocols in respect to these regulations and does not expect any significant impact on its operations. However, it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations in the future.



## 2/ ACCOUNTING POLICIES

### (A) BASIS OF PREPARATION

#### Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value as described in note 8. The policies applied in these consolidated financial statements are based on IFRS’s issued and effective as December 31, 2021 for year ending on or before December 31, 2021.

The Company’s management makes judgements in its process of applying the Company’s accounting policies in the preparation of its consolidated financial statements. In addition, the preparation of the financial data requires that the Company’s management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively.

These consolidated financial statements were authorized for issuance by the Board of Directors on May 2, 2022.

### (B) BASIS OF CONSOLIDATION

These consolidated annual financial statements include the accounts of the Company and its wholly-owned subsidiaries. All amounts are expressed in Canadian dollars, unless otherwise stated. Intercompany transactions and balances between the Company and its wholly-owned subsidiaries are eliminated on consolidation. The principal subsidiaries of Zincore and their geographic locations at December 31, 2021 were as follows:

	JURISDICTION	NATURE OF OPERATIONS	DECEMBER 31, 2021 OWNERSHIP %	DECEMBER 31, 2020 OWNERSHIP %
Zincore Metals Inc.	Canada	Holding company	100%	100%
Polymex Resources Ltd.	Canada	Holding company	100%	100%
Antacollo SAC	Peru	Exploration company	100%	100%
Exploraciones Collasuyo S.A.C	Peru	Exploration company	100%	100%

### (C) FOREIGN CURRENCIES

The presentation currency of the Company is the Canadian dollar. The functional currency of Zincore Metals Inc. and Polymex Resources Ltd. is the Canadian dollar. The functional currency of Antacollo SAC and Exploraciones Collasuyo S.A.C. is the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates (“IAS 21”). Assets and liabilities of the Company’s subsidiaries are translated into the presentation currency using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e., the average rate for the period). Exchange differences relating to the translation of the results and net assets of the Company’s foreign operations from their functional currencies to the Company’s presentation currency are recognized directly in other comprehensive income (loss) and accumulated in the accumulated other comprehensive income. Transactions in currencies other than the entity’s functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the consolidated statement of financial position. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

### (D) FINANCIAL INSTRUMENTS

#### *Non-derivative financial assets*

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (loss) (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income (loss).



The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Cash is measured at amortized cost with subsequent impairments recognized in the consolidated statement of operations.

#### *Impairment*

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statement of operations for the period. The Company recorded a bad debt expense based on the expected credit loss model.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### *Non-derivative financial liabilities*

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, lease liability, and promissory note payable are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in the consolidated statement of operations.

#### *Derivative financial instruments*

If the Company issues warrants exercisable in a currency other than the Company's functional currency, the warrants will be considered as derivative financial instruments.

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value with changes in fair value recognized in the consolidated statement of loss. Transaction costs are recognized in the consolidated statement of operations as incurred.

### (E) CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with a maturity of three months or less at the time of issuance, are readily convertible into known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

### (F) EXPLORATION AND EVALUATION ASSETS

The Company is in the exploration stage with respect to its investment in mineral properties and follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

Exploration and evaluation ("E&E") assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount and/or when the Company has sufficient information to reach a conclusion about technical feasibility and commercial viability.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure on further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised;
- Adverse changes in the taxation and regulatory environment;
- Adverse changes in variations in commodity prices and markets; and
- Variations in the exchange rate for the currency of operation.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are tested for impairment and then reclassified to mining property and development assets within mineral properties.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.



## (G) INCOME TAX

Income tax on the net income (loss) for the periods presented comprises of current and deferred income tax. Income tax is recognized in the consolidated statement of operations except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities, when they relate to income taxes levied by the same taxation authority, and when the Company intends to settle its tax assets and liabilities on a net basis.

## (H) LEASE

At inception of a contract, the Company 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 for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain 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. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to the consolidated statement of operations.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to the consolidated statement of loss on a straight-line basis over the lease term.

## (I) RESTORATION, REHABILITATION, AND ENVIRONMENTAL OBLIGATIONS

An obligation to incur restoration, rehabilitation, and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in the consolidated statement of operations.



Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in the consolidated statement of operations.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation or environmental obligations as the disturbance to date is immaterial.

#### (J) LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding during the reporting period. The Company uses the treasury stock method for computing diluted loss per share. This method assumes that any proceeds obtained upon exercise of outstanding options or warrants would be used to purchase common shares at the average market price during the period. As the Company has recorded a net loss for each of the periods presented, basic and diluted net loss per share are the same as the exercise of stock options or share purchase warrants are anti-dilutive. As at December 31, 2021, the Company had 688,000 (2020 - 688,000) potentially dilutive shares relating to outstanding stock options.

#### (K) SIGNIFICANT ACCOUNTING JUDGMENTS

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are related to the items below:

##### *Critical Judgments*

The followings are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- i. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- ii. Management is required to assess the Company as a going concern.
- iii. Management is required to assess the functional currency of each entity of the Company.
- iv. Management is required to assess impairment in respect of its investment in mineral properties. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful, and some assets are likely to become impaired in future periods.
- v. Although, the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

#### (L) SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of these consolidated financial statements requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### *Accounting Estimates and Assumptions*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- i. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date, an additional liability could result from audits by taxing authorities. Where the final outcomes of these tax-related matters are different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.



## (M) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

A number of new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2021 and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations were either not applicable or are not expected to have material impact on the company's condensed consolidated interim financial statements.

## 3/ SHARE CAPITAL

## A) COMMON SHARES

The authorized share capital of the Company consists of an unlimited number of common shares without par value, an unlimited number of first preferred shares without par value, and an unlimited number of second preferred shares without par value.

## B) SHARE PURCHASE OPTION COMPENSATION PLAN

The Company has a share purchase option plan providing for the issuance of options that shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company as at the date of grant of the options. The Company may grant options to directors, officers, employees, consultants and other personnel of the Company or any of its subsidiaries. The exercise price of each option is set at the discretion of the Board, subject to any Exchange regulations. The option vesting periods are established by the Board of Directors or Exchange policies if applicable. Options may not be granted for a term exceeding ten years and all options granted to date have been for a term of five years.

As at December 31, 2021, the Company had 688,000 (December 31, 2020 — 688,000) stock options outstanding with a weighted average exercise price of \$0.15 (December 31, 2020 - \$0.15) per option.

The following table summarizes the outstanding stock options as at:

	DECEMBER 31, 2021		DECEMBER 31, 2020	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of period	688,000	\$ 0.15	848,000	\$ 0.17
Expired	-	\$ -	(160,000)	\$ 0.25
Outstanding and exercisable, end of period	688,000	\$ 0.15	688,000	\$ 0.15
Exercisable at end of period	688,000	\$ 0.15	688,000	\$ 0.15

EXPIRY DATE	NUMBER OF OPTIONS OUTSTANDING	EXERCISE PRICE	WEIGHTED AVERAGE CONTRACTUAL LIFE
November 13, 2022	688,000	\$0.15	0.87

## 4/ SEGMENTED INFORMATION

The Company operates in one reportable operating segment, the acquisition and exploration of mineral properties in three main geographic locations as follows:

Year ended December 31, 2021	Canada	Peru	Bermuda	Total
Total assets	\$ 14,643	\$ -	\$ -	\$ 14,643
Total current liabilities	1,744,221	-	-	1,744,221
Net loss	(87,152)	(6,281)	-	(93,433)
Year ended December 31, 2020	Canada	Peru	Bermuda	Total
Total assets	\$ 98,175	\$ 11,922	\$ -	\$ 110,097
Total current liabilities	818,096	935,913	-	1,754,009
Net loss	(183,063)	(69,813)	(28,602)	(281,478)



## 5/ RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries and key management. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

Short-term employee benefits include salaries payable within twelve months of the statement of financial position date and other annual employee benefits.

The Company incurred the following expenses with related parties during the year ended December 31, 2021 and 2020:

- (a) As at December 31, 2021, the Company had \$546,060 (December 31, 2020 - \$548,387) of shareholder loans outstanding and \$144,185 (December 31, 2020 - \$145,439) of unpaid CEO consulting fees outstanding which are included in accounts payable and accrued liabilities.
- (b) For the year ended December 31, 2021, the Company recorded \$36,000 (2020 - \$60,000) of consulting fees for the services provided by the CFO.
- (c) For the year ended December 31, 2021, the Company recorded \$12,000 (2020 - \$6,000) of director's fees. As at December 31, 2021, the Company owes \$18,900 (2020 - \$6,000) to a company controlled by a director of the Company.
- (d) As at December 31, 2021, related party accounts payable was \$199,500 (December 31, 2020 - \$161,700), which includes unpaid consulting fees with related parties.

## 6/PROMISSORY NOTES

As at December 31, 2021, the Company owed \$437,514 (December 31, 2020 - \$405,833) of promissory notes to a non-related party. The promissory notes are unsecured, bears interest at 10% compounded per annum, and is due on demand. During the year ended December 31, 2021, the Company recorded interest expense of \$31,804 (2020 - \$42,500) relating to promissory notes.

## 7/COMMITMENTS

- (a) As part of the convertible debenture settlement with First Quantum in fiscal 2017, the Company is required to maintain Directors and Officers Insurance over the next 6 years (until February 2023). The Company's committed obligation is \$9,600 for December 31, 2022.

	WITH 1 YEAR	OVER 1 YEAR	TOTAL
D&O Insurance	9,600	1,600	11,200

## 8/ MANAGEMENT OF CAPITAL RISK

The capital structure of the Company consists of equity attributable to common shareholders, comprising share capital, reserves and deficit. Its capital resources consist of cash and cash equivalents. The Company manages its capital to fund its exploration and development expenditures and corporate costs with the primary objective of maintaining adequate liquidity within the Company to safeguard its ability to continue as a going concern while minimizing dilution to current equity holders.

The capital of the Company consists of items included in shareholders' equity, net of cash as follows:

	DECEMBER 31, 2021	DECEMBER 31, 2020
Total equity for owners	\$ (1,729,578)	\$ (1,643,912)
Less: cash	(10,510)	(107,044)
	<u>(1,740,088)</u>	<u>(1,750,956)</u>

To effectively manage its resources and minimize risk the Company maintains the majority of its capital at the parent company level and funds activities in its operating subsidiaries through a monthly cash call process. The Company prepares annual expenditure budgets that are updated as necessary depending on factors including success of programs and general industry conditions. The budget and any revisions to it are approved by the Board of Directors (the "Board").



The Company maintains an investment policy that specifies the investment products and credit exposures permitted relating to the short-term investments of the Company's cash (the "Cash Investment Policy").

The Company is not subject to any externally imposed capital requirements and it does not have exposure to asset-backed commercial paper or similar products.

## 9/ MANAGEMENT OF FINANCIAL RISK

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk and price risk (including currency and interest rate risks). The risk related to financial instruments is managed by the senior management of the Company under policies and directions approved by the Board. Relevant policies include the Cash Investment Policy and the approval allowing a portion of the Company's cash to be held in United States dollars at the discretion of the Chief Financial Officer. The Board monitors these policies on a quarterly basis. The Company's Board has not approved the use of derivative financial products.

### A) FAIR VALUE ESTIMATION

The fair values of the Company's cash, accounts payable and accrued liabilities, other liabilities, promissory notes, and shareholder loan approximate their carrying values due to their short term nature. The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk with respect to currency risk and interest risk. The following table summarize the Company's financial instruments as at December 31, 2021 and 2020:

	DECEMBER 31, 2021		DECEMBER 31, 2020	
	Carrying Amount (\$)	Fair Value (\$)	Carrying Amount (\$)	Fair Value (\$)
<b>FINANCIAL ASSETS</b>				
Fair value through profit or loss				
Cash	10,510	10,510	107,044	107,044
<b>FINANCIAL LIABILITIES</b>				
Accounts payable and accrued liabilities	760,647	760,647	767,361	767,361
Shareholder loan	546,060	546,040	548,387	548,387
Promissory note	437,514	437,514	405,833	405,833
Other liabilities	-	-	32,428	32,428

Financial instruments disclosure requires a statement of the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value are:

- Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
- Level 3 Inputs that are not based on observable market data Fair values of financial instruments

The Company has classified all of its financial assets at Level 1.

### B) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure that there is sufficient working capital to fund near term planned exploration work and operating expenditures. The Company has considerable discretion to reduce or increase exploration plans or budgets depending on current or projected liquidity. When appropriate, the Company will seek joint venture partners in order to fund or share in the funding of its exploration properties to minimize shareholder risk. The Company's cash assets are held in demand accounts in Canada and Peru.

The Company is continuously evaluating alternatives in order to raise additional capital to increase liquidity and to cut costs where possible, but there's no certainty that additional capital will be raised. As at December 31, 2021, cash was \$10,510 (December 31, 2020 - \$107,044).



### C) CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds its cash resources principally in Canadian dollars with a secondary amount held in U.S. dollars and incurs expenses principally in U.S. dollars with smaller exposures mainly to Peruvian soles and Canadian dollars. A weakening Canadian dollar relative to these currencies increases the Company's reported expenses and increases its deferred mineral property investments. However, a weakening Canadian dollar results in a foreign exchange gain on the Company's non-Canadian monetary assets.

As at December 31, 2021, a 10% weakening in the U.S. dollar relative to the Canadian dollar would increase the net gain by approximately \$98,357 (December 31, 2020 - \$146,586) with a 10% strengthening having the opposite effect.

### D) INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash, as at December 31, 2021 and 2020, there's no material impact if there is a 1% increase or decrease in short term rates.

### E) CREDIT RISK

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash. The carrying amount of the financial assets represents the maximum credit exposure. The Company's cash is held through large Canadian financial institutions.

## 10/ DEFERRED TAXES

- a) The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	DECEMBER 31, 2021	DECEMBER 31, 2020
Net loss	\$ (93,433)	\$ (281,478)
Canadian statutory income tax rate	27%	27%
Recovery of income taxes computed at statutory rate	(25,227)	(75,999)
Change in estimates	(3,493)	(15,831)
Contribution of intercompany balances	-	(9,375,800)
Foreign exchange	3,356	18,596
Foreign tax rate difference	(187)	6,146
Change in deferred tax asset not recognized	25,551	9,442,888
Income tax recovery	\$ -	\$ -

- b) Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values.

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred assets have been recognized are attributable to the following:

	DECEMBER 31, 2021	DECEMBER 31, 2020
<b>Canada</b>		
Non-operating loss carry forwards	\$ 18,740,578	\$ 18,641,683
Net capital loss carry forwards	35,322,663	34,839,129
Property and equipment	38,751	38,751
<b>Peru</b>		
Net operating loss carry forwards	1,159,871	1,423,306
Unrecognized deductible temporary differences and tax losses	(55,261,863)	(54,942,869)
	\$ -	\$ -



- c) The Company has non-capital loss carry forwards of approximately \$18,740,579 (2020 - 18,641,682) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	TAX LOSSES
2026	1,165,006
2027	1,311,460
2028	1,590,101
2029	1,422,597
2030	2,517,719
2031	3,094,868
2032	2,308,079
2033	1,464,550
2034	2,871,637
2035	117,681
2036	211,349
2037	25,689
2038	125,253
2039	235,556
2040	191,882
2041	87,152
	<u>\$ 18,740,579</u>

In addition, the Company has capital loss of \$34,839,129, which may be carry forward indefinitely and apply to reduce future capital gains.

The Company has net operating loss carry forwards of approximately \$659,841 which may be carried forward to apply against future year income tax for Peru tax purposes.

	TAX LOSSES
2022	648,463
2025	11,378
	<u>\$ 659,841</u>