Form 51-102F4
Business Acquisition Report

Item 1 Identity of Company

1.1 Name and Address of Company

Element79 Gold Corp. (the "**Company**")
230-997 Seymour Street
Vancouver, BC V6B 3M1

1.2 Executive Officer

James Tworek
Chief Executive Officer
Telephone: (403) 850-8050

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On June 28, 2022, the Company acquired all of the issued and outstanding shares of Calipuy Resources Inc. ("**Calipuy**") from the shareholders of Calipuy (the "**Calipuy Shareholders**"), in accordance with the terms and conditions of a share purchase agreement dated June 19, 2022 (the "**Agreement**") among the Company, Calipuy and the Calipuy Shareholders (the "**Acquisition**").

Calipuy is a private British Columbia corporation which, through its subsidiaries in Peru, holds a 100% interest in the Lucero property and the Machacala property, subject to certain royalties, encumbrances and other interests (the "**Properties**"), as more particularly described in the Agreement which is filed on SEDAR.

For more information on the Acquisition, see the Company's news release dated June 29, 2022, filed under the Company's profile on SEDAR at www.sedar.com.

2.2 Acquisition Date

The Acquisition was completed on June 28, 2022 (the "**Closing Date**").

2.3 Consideration

In consideration for the Acquisition, the Company paid USD$15 million by the issuance, on a pro rata basis to the Calipuy Shareholders, of (i) an aggregate of 19,165,484 common shares in the capital of the Company (each, a "**Share**") at a deemed issue price of CAD$1.00 per Share (the "**Consideration Shares**") and (ii) performance bonus warrants to acquire an aggregate of 3,833,085 Shares (the "**Performance Bonus Warrants**").

Each Performance Bonus Warrant is exercisable into one Share at an exercise price of CAD$2.00 per Share for a period of three years from the Exercise Eligibility Date (as defined herein), subject to achievement of the Bonus Performance Target (as defined herein), the policies of the Canadian Securities Exchange (the "**Exchange**") and the terms of warrant certificates issued to the Calipuy Shareholders in respect thereof. The Company may accelerate expiry of the Performance Bonus Warrants if the Shares have a closing price greater than CAD$3.50 per share for a period of ten consecutive trading days on the Exchange at any time after the Closing Date. The holders of the Performance Bonus Warrants will not have the right to exercise the Performance Bonus Warrants until projects carried out on the Properties have cumulatively reached a minimum production target of 9,000 tons of ore yielding a minimum of 1,500 oz Au within a 30-day production period (the "**Bonus Performance Target**") and the Company provides notice of achievement of the Bonus Performance Target via news release (the "**Exercise Eligibility Date**").

All issuances of Consideration Shares were paid in CAD denominated shares at the agreed exchange rate of CAD$1.2777 to USD$1.00. An aggregate of 12,971,503 Consideration Shares and 2,594,298 Performance Bonus Warrants are subject to a lock-up agreement, whereby 50% will be released from lock-up six months from the Closing Date and the remaining 50% will be released 12 months from the Closing Date. The balance of the Consideration Shares and Performance Bonus Warrants, other than those held by U.S. persons, are not subject to any resale restrictions under applicable securities laws.

2.4 Effect on Financial Position

The Company is pursuing opportunities for financing the exploration and development of its projects (inclusive of the Properties) and working capital including private placement financings, drawdowns under its existing facilities and other financing options.

2.5 Prior Valuations

To the knowledge of the Company, there has not been any valuation opinion obtained within the last 12 months by the Company or Calipuy required by securities legislation or a Canadian exchange or market to support the consideration paid by the Company or any of its subsidiaries in connection with the Acquisition.

2.6 Parties to Transaction

The Acquisition was, in part, with “informed persons” (as such term is defined in Section 1.1 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”)) of the Company. The informed persons consisted of Antonios Maragakis and Shane Williams as directors and officers of the Company, who each received Consideration Shares as part of the Acquisition in their capacity as Calipuy Shareholders.

The Acquisition constituted a “related party transaction” within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”) as Antonios Maragakis, who is the Chief Executive Officer and director of Calipuy, is also the Chief Operating Officer and a director of the Company and Shane Williams, who was a director of Calipuy immediately prior to the Acquisition, was elected as a director of the Company at its Annual General Meeting on June 22, 2022. The Acquisition was exempt from the formal valuation and minority shareholder approval requirements under MI 61-101 pursuant to section 5.5(a) as the Company is not listed on any of the markets specified therein and section 5.7(1)(a) as the fair market value of the Acquisition, insofar as it involves interested parties, did not exceed 25% of the market capitalization of the Company.

2.7 Date of Report

September 8, 2022

Item 3 Financial Statements and Other Information

Pursuant to Part 8 of NI 51-102, the following financial statements are attached hereto as schedules and form part of this report:

(a) Audited annual financial statements of Calipuy for the fiscal year ended December 31, 2021 and for the period from incorporation on June 4, 2020 to December 31, 2020; and
(b) Unaudited interim financial statements of Calipuy for the three months ended March 31, 2022 and March 31, 2021.

Forward-Looking Statements

This Report may contain certain “forward-looking statements” or “forward-looking information” under applicable securities laws. Forward-looking terms such as “may,” “will,” “could,” “should,” “would,” “plan,” “potential,” “intend,” “anticipate,” “project,” “target,” “believe,” “estimate” or “expect” and other words, terms and phrases of similar nature are often intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and represent management’s best judgment based on facts and assumptions that management considers reasonable. Any such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results and expectations to differ materially from the anticipated results or expectations expressed in this Report. The Company cautions readers that should certain risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results the Company’s most recent Management Discussion and Analysis and other documents on file with the Canadian securities regulatory authorities, which are available online under the Company’s SEDAR profile at www.sedar.com. The forward-looking statements and information contained in this Report represent the Company’s views only as of today’s date. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise, other than as required by law, rule or regulation. You should not place undue reliance on forward-looking statements.

SCHEDULE

CALIPUY FINANCIAL STATEMENTS

[see attached]

CALIPUY RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021
AND
FOR THE PERIOD FROM THE DATE OF INCORPORATION (JUNE 4, 2020) TO DECEMBER 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Calipuy Resources Inc.

Opinion

We have audited the accompanying consolidated financial statements of Calipuy Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended December 31, 2021 and the period from incorporation on June 4, 2020 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the year ended December 31, 2021 and for the period from incorporation on June 4, 2020 to December 31, 2020 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which describes certain events and conditions which indicate material uncertainties exist 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.

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

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

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

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

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

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

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

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

Davidson & Company LLP

Vancouver, Canada — Chartered Professional Accountants

June 2, 2022

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(Expressed in Canadian Dollars)

As at	Note(s)	December 31, 2021 $	December 31, 2020 $
ASSETS			
Current assets			
Cash		58,760	27
Amounts receivable		42,915	1,440
Subscription receivable	5	-	191,724
		101,675	**193,191**
Non-current assets			
Equipment		2,383	-
Exploration and evaluation assets	3	6,038,041	2,897,444
		6,040,424	**2,897,444**
TOTAL ASSETS		**6,142,099**	**3,090,635**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	128,575	132,906
Current portion of provisions	4	112,612	-
		241,187	**132,906**
Long term liabilities			
Provisions	4	5,793,026	2,766,648
TOTAL LIABILITIES		**6,034,213**	**2,899,554**
SHAREHOLDERS' EQUITY			
Share capital	5	473,294	191,724
Shares subscribed	5	297,659	-
Foreign currency translation reserve		6,091	26,062
Deficit		(669,158)	(26,705)
TOTAL SHAREHOLDERS' EQUITY		**107,886**	**191,081**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6,142,099**	**3,090,635**

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These consolidated financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/s/ Luis H. Goyzueta Director **/s/ David W. Smalley Director**

(Expressed in Canadian Dollars)

	Note(s)	For the year ended December 31, 2021 $	For the Period from the Date of Incorporation (June 4, 2020) to December 31, 2020 $
Expenses			
Consulting fees		39,455	-
Depreciation		186	-
Exploration and evaluation costs		81,480	-
Foreign exchange loss (gain)		20,717	(962)
General and administrative		11,380	15
Professional fees		114,724	19,145
Regulatory and transfer agents		3,151	-
Travel		4,480	-
		(275,573)	**(18,198)**
Other income			
Accretion of interest of provisions	4	(366,880)	(8,507)
Loss for the period		**(642,453)**	**(26,705)**
Other comprehensive income (loss)			
Foreign currency translation differences for foreign operations		(19,971)	26,062
Total comprehensive loss		**(662,424)**	**(643)**
Basic and diluted loss per share for the period ($ per common share)		**(0.08)**	**(0.00)**
Weighted average number of common shares outstanding - basic and diluted		**8,589,726**	**342,175**

(Expressed in Canadian Dollars)

		Share capital					
	Note	Number of shares	Amount	Shares subscribed	Foreign currency translation reserve	Deficit	Total
Incorporator's shares, June 4, 2020	5	1,000	1	-	-	-	**1**
Cancellation of incorporator's shares	5	(1,000)	(1)	-	-	-	**(1)**
Shares issued for cash	5	6,000,000	191,724	-	-	-	**191,724**
Other comprehensive income		-	-	-	26,062	-	**26,062**
Loss for the period		-	-	-	-	(26,705)	**(26,705)**
Balance at December 31, 2020		**6,000,000**	**191,724**	**-**	**26,062**	**(26,705)**	**191,081**
Shares issued for cash	5	4,500,000	136,595	-	-	-	**136,595**
Share issue costs	5	-	(5,025)	-	-	-	**(5,025)**
Shares issued for acquisition	3, 5	750,000	150,000	-	-	-	**150,000**
Share subscribed	5	-	-	297,659	-	-	**297,659**
Other comprehensive loss		-	-	-	(19,971)	-	**(19,971)**
Loss for the year		-	-	-	-	(642,453)	**(642,453)**
Balance at December 31, 2021		**11,250,000**	**473,294**	**297,659**	**6,091**	**(669,158)**	**107,886**

(Expressed in Canadian Dollars)

	Note	For the year ended December 31, 2021	For the Period from the Date of Incorporation (June 4, 2020) to December 31, 2020
		$	$
Cash flow provided from (used by)			
OPERATING ACTIVITIES			
Loss for the period		(642,453)	(26,705)
Adjustments for items not affecting cash:			
Depreciation		186	-
Accretion of interest of provisions	4	366,880	8,507
Exchange rate effect on subscription receivable		-	(600)
Change in non-cash working capital			
Amounts receivable		(40,960)	(95)
Accounts payable and accrued liabilities		(2,900)	130,750
Cash flow used in operating activities		**(319,247)**	**111,857**
INVESTING ACTIVITIES			
Purchase of equipment		(2,538)	-
Acquisition costs on exploration and evaluation assets	3	(244,428)	-
Net cash paid for acquisition	3	-	(115,677)
Cash flow used in investing activities		**(246,966)**	**(115,677)**
FINANCING ACTIVITIES			
Proceeds from share issuance, net of share issue costs	5	131,570	-
Shares subscribed	5	298,574	-
Subscription receivable		188,615	-
Cash flow from financing activities		**618,759**	**-**
Effects of exchange rate changes on cash		6,187	3,847
Decrease in cash		**58,733**	**27**
Cash, beginning of period		**27**	**-**
Cash, end of period		**58,760**	**27**
SUPPLEMENTAL CASH FLOW			
Shares issued for acquisition	3, 5	150,000	-
Fair value of provision at the date of acquisition	3, 4	2,739,928	2,783,110
Subscription receivable	5	-	188,014
Cash paid during the period for interest		-	-
Cash paid during the period for income taxes		-	-

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Calipuy Resources Inc. (the "Company" or "Calipuy") was incorporated under the Business Corporations Act (British Columbia) on June 4, 2020. The Company together with its subsidiaries (collectively referred to as the "Group") is engaged in the identification, acquisition and exploration of mineral properties. The Company's registered office is located at Suite 480, 1500 West Georgia Street, Vancouver, BC V6E 3X2.

During the year ended December 31, 2021 and the period ended December 31, 2020, the Company completed the following acquisitions:

- On December 21, 2020, the Company completed the acquisition of Minas Lucero Del Sur S.A.C. ("MLDS") from Condor Resources Inc. ("Condor");
- On January 28, 2021, the Company completed the acquisition of Compania Minera Calipuy S.A.C.;
- On November 15, 2021, the Company completed the acquisition of Minera Machacala S.A.C. ("Machacala"); and
- On November 15, 2021, the Company completed the acquisition of Compania Minera SFJ ("SFJ") S.A.C.

As of the date of the consolidated financial statements, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These audited consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As of December 31, 2021, the Company had a working capital deficiency of $139,512 (December 31, 2020 – working capital of $60,285) and had not advanced its mineral properties to commercial production and is not able to finance day-to-day activities through operations. The Company's continuation as a going concern is dependent upon the successful exercise of its mineral property option agreements, results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from and/or raise equity capital or borrowings sufficient to meet current and future obligations and ongoing operating losses. These uncertainties cast a significant doubt on the ability of the Company to continue operations as a going concern. These financial statements do not include any adjustments that might result from this uncertainty.

Stock split

On February 1, 2021, the Company implemented a 10 for 1 forward split (the "Stock Split") of the Company's issued and outstanding common shares. The number of shares and relevant information including but not limited to the share price, number of warrants and exercise price per warrant presented in these financial statements had been retroactively adjusted accordingly.

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. 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 at this time.

The consolidated financial statements of the Company for the year ended December 31, 2021 and for the period from the date of incorporation (June 4, 2020) to December 31, 2020 (the "Prior Period") were approved by the Board of Directors on June 2, 2022.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION

Statement of compliance to International Financial Reporting Standards

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These consolidated financial statements are presented in Canadian dollars ("$" or "CA$"). The functional currency of the Group is the United States dollar ("US$").

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on December 31, 2021.

The policies set out below were consistently applied to all periods presented unless otherwise noted below.

Basis of consolidation

These consolidated financial statements comprise the accounts of the Company and the following subsidiaries of the Company:

- Calipuy Holdings Inc., a company incorporated under the Business Corporations Act (British Columbia) (ownership – 100%);
- Minas Lucero Del Sur S.A.C., a company incorporated under the laws of Peru (ownership – 100%);
- Compania Minera Calipuy S.A.C., a company incorporated under the laws of Peru (ownership – 100%);
- Minera Machacala S.A.C., a company incorporated under the laws of Peru (ownership – 100%); and
- Compania Minera SFJ S.A.C., a company incorporated under the laws of Peru (ownership – 100%).

All subsidiaries have a reporting date of December 31.

- **Subsidiaries**

  A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

- **Acquisitions and disposals**
  The results of businesses acquired during the reporting period are brought into the consolidated financial statements from the date the control is transferred; the results of businesses sold during the reporting period are included in the consolidated financial statements for the period up to the date the control is ceased.

  Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the statement of loss and comprehensive loss.

Significant management judgment and estimates in applying accounting policies

- **Critical accounting estimates**

  Carrying value and recoverability of exploration and evaluation assets
  The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to commence and complete development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

  Shares issued for acquisitions
  The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration, specifically relating to shares issued for acquisitions and for exploration and evaluation properties. Shares are valued at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, then those shares are valued at the fair value of the equity instruments granted at the date the Company receives the good or service. When no market price is available, a valuation technique is used to determine what price the equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. In the case of the Company, the fair value of the shares issued was estimated with reference to the price of the latest financing before the issuance or the arm's length terms per the agreement.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant management judgment and estimates in applying accounting policies (continued)

- **Critical accounting estimates (continued)**

  Income taxes and recoverability of potential deferred tax assets
  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

  Incremental borrowing rate
  A 12% discount rate is used to discount the future payments the Company is required to make for various acquisitions to measure the present value of those liabilities at the inception date.

- **Critical accounting judgments**

  Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

  Determination of going concern (note 1)
  The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

  Determination of functional currency
  In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Company and its subsidiaries are the United States dollar ("US$") as this is the currency of the primary economic environment in which the Company operates.

Cash
Cash is comprised of cash on hand and deposits held on call with banks, net of bank overdrafts which are repayable on demand.

Foreign exchange

- **Translation of foreign transactions and balances into the functional currency**
  Foreign currency transactions are translated into the functional currency of the underlying entity using appropriate average rates of exchange. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of each reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Foreign exchange (continued)

- **Translation of the functional currency into the presentation currency**
  The results of operations which have a different currency than Canadian dollars are translated to Canadian dollars at appropriate average rates of exchange during the year and are included in other comprehensive income (loss). The assets and liabilities of these operations are translated to Canadian dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of these operation's assets and liabilities to Canadian dollars at period end are recognized in accumulated other comprehensive income (loss) as a foreign currency translation adjustment. When a operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

Financial instruments

- **Financial assets**

  Classification and measurement
  The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

  The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

  Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

  Financial assets at FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges. As of December 31, 2021 and 2020, the Company has classified its cash as FVTPL.

  Financial assets at FVTOCI – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. As of December 31, 2021 and 2020, the Company has no financial assets classified as FVOCI.

  Financial assets at amortized cost – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. As of December 31, 2021 and 2020, the Company has classified its amounts receivable and subscription receivable as amortized cost.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (continued)

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

- **Financial liabilities**

Classification and measurement

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss (FVTPL) – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities – This category consists of liabilities carried at amortized cost using the effective interest method. As at December 31, 2021 and 2020, the Company has classified its accounts payable and accrued liabilities, current portion of provisions and provisions as other financial liabilities

Refer to Note 9 for further disclosures.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Taxation

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

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

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

Share Capital

Finder's warrants, stock options and other equity instruments issued as consideration in nonmonetary transactions other than as consideration for exploration and evaluation assets are recorded at fair value as determined by management. Proceeds from unit placements are allocated between common shares and warrants using the residual value method, which allocates value first to the fair value of the common shares and the balance, if any, is allocated to the attached warrants.

Loss per share

Basic loss per share is calculated by dividing the net loss for the year divided by the weighted average number of Common Shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of Common Share equivalents, such as outstanding stock options and warrants, in the weighted average number of Common Shares outstanding during the period, if dilutive.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Exploration and evaluation

- **Exploration and evaluation assets**
  Exploration and evaluation assets include acquired mineral rights for mineral exploration properties held by the Company. The amount of consideration paid (in cash or share value) for mineral rights is capitalized. The amounts shown for exploration and evaluation assets represent costs of acquisition, incurred to date, less recoveries, and do not necessarily reflect present or future values. These costs will be written off if the evaluation and exploration assets are abandoned or sold. Included in the cost of exploration and evaluation assets is the cost of any estimated decommissioning liability. The Company has classified exploration and evaluation assets as intangible in nature. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon reserves.

  Ownership in exploration and evaluation assets involves certain inherent risks, including geological, metal prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for the evaluation and exploration assets is dependent upon the delineation of economically recoverable ore reserves, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate a mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its exploration and evaluation assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of exploration and evaluation assets carrying values.

- **Exploration and evaluation costs**
  Exploration and evaluation costs, other than those described above, are expensed as incurred until such time as mineral reserves are proven or probable, permits to operate the mineral resource property are received and financing to complete development has been obtained. Following confirmation of mineral reserves, receipt of permits to commence mining operations and obtaining necessary financing, exploration and evaluation costs are capitalized as deferred development expenditures included within equipment.

Impairment of non-financial assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's ("CGU") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Impairment of non-financial assets (continued)

For exploration and evaluation assets, indicators of impairment include, but are not limited to, expiration of a right to explore, no budgeted or planned material expenditure in an area, or a decision to discontinue exploration in a specific area. Impairment losses of continuing operations are recognized in net loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years.

Equipment

Equipment is initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of equipment and vehicles to write off the carrying value of items over their expected useful economic lives. Depreciation is provided on a straight-line basis over the estimated useful lives of the equipment at the following annual rates:

- Field Equipment 25%

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it's probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Contingent consideration

Contingent consideration from an asset acquisition is recognized when: (i) the conditions associated with the contingency are met; (ii) the Company has a present legal or constructive obligation that can be estimated reliably; and (iii) and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingencies

- **Contingent assets**
  Contingent assets are not recognized in the financial statements but they are disclosed by way of a note if they are deemed probable.

- **Contingent liabilities**
  Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are recognized in the financial statements unless the possibility of an outflow of economic resources is considered remote, in which case they are disclosed in the notes to the consolidated financial statements.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

New accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2022. The Company does not expect that any new or amended standards or interpretations that are effective for annual periods beginning on or after January 1, 2022 will have a significant impact on the Company's results of operations or financial position.

3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets as of December 31, 2021 and 2020

	Lucero project $	Machacala project $	Urumalqui project $	TOTAL $
Acquisition costs	2,897,444	-	-	2,897,444
As at December 31, 2020	**2,897,444**	**-**	**-**	**2,897,444**
Acquisition costs	-	2,745,432	144,496	2,889,928
Concession and assignment payments	197,335	41,073	6,020	244,428
Effect of movements in exchange rate	(33,191)	37,476	1,956	6,241
As at December 31, 2021	**3,061,588**	**2,823,981**	**152,472**	**6,038,041**

- **Acquisition of Minas Lucero Del Sur S.A.C, ("MLDS")**

  On December 21, 2020 (the "MLDS Closing Date"), the Company completed a share purchase agreement (the "MLDS Agreement") with Condor Resources Inc. ("Condor") to acquire all issued and outstanding shares of MLDS (the "MLDS Shares") which owns certain rights, titles and interests in and to the Lucero mine project in the District of Chacas in Peru.

  Pursuant to the MLDS Agreement, the Company is obligated to make the following payments (the "MLDS Cash Payment") to Condor:

  - On the MLDS Closing Date US$90,000 (paid – $115,704);
  - On or before June 21, 2022 US$75,000*;
  - On or before December 21, 2022 US$300,000*;
  - On or before December 21, 2023 US$500,000*; and
  - On or before December 21, 2024 US$1,000,000*.

  In addition to the MLDS Cash Payment, the Company will make an additional cash payment of US$1,535,000 (the "MLDS Final Cash Payment") to Condor on or before December 31, 2026 in an amount equal to the additional amount required to make the total aggregate amount of the MLDS Cash Payment and the MLDS Final Cash Payment to be US$3,500,000* unless:

  (i) The Company accelerates the MLDS Cash Payment and all such MLDS Cash Payment are made within thirty-six (36) months of the MLDS Closing Date in which case the MLDS Final Cash Payment shall be an amount equal to the additional amount required to make the total aggregate amount of the MLDS Cash Payment and the MLDS Final Cash Payment to be US$3,000,000;

(Expressed in Canadian Dollars)

3. EXPLOROATION AND EVALUATION ASSETS (CONTINUED)

- **Acquisition of Minas Lucero Del Sur S.A.C, ("MLDS") (continued)**

(ii) Subject to (i), the price of gold averages not less than US$2,500 per ounce during the 30 days prior to the payment date of the MLDS Final Cash Payment, in which case the MLDS Final Cash Payment shall be an amount equal to the additional amount required to make the total aggregate amount of the MLDS Cash Payment and the MLDS Final Cash Payment to be US$4,000,000; or

(iii) Subject to (i), the price of gold averages not less than US$3,000 per ounce during the 30 days prior to the payment date of the MLDS Final Cash Payment, in which case the MLDS Final Cash Payment shall be an amount equal to the additional amount required to make the total aggregate amount of the MLDS Cash Payment and the MLDS Final Cash Payment to be US$6,000,000.

____
** collectively the "MLDS Subsequent Cash Payment"*

Using a risk-adjusted discount rate of 12%, the Company calculated the fair value of the MLDS Subsequent Cash Payment as $2,783,110 and recorded the provision at the MLDS Closing Date (Note 4), which will be accreted to the face value during the term of the MLDS Subsequent Cash Payment.

Pursuant to the MLDS Agreement, until the MLDS Subsequent Cash Payment is settled and subsequent to the Company receiving the first $550,000 proceeds from the future financings, Condor has the right but not the obligation to convert all or part of the outstanding MLDS Subsequent Cash Payment into the Company's common shares at a discounted price of 20% of the price offered in the future financing.

In addition, in connection with the acquisition of MLDS, the Company and Condor entered into a share pledge agreement (the "MLDS SP Agreement"). Pursuant to the MLDS SP Agreement, the MLDS Shares are pledged to Condor as collateral for the MLDS Subsequent Cash Payment and will be released upon the MLDS Subsequent Cash Payment being settled.

The total consideration of $2,898,814 associated with the MLDS Agreement has been allocated as follows:

	$
Cash	27
Amounts receivable	1,343
Evaluation and exploration assets	2,897,444
	2,898,814
Consideration paid:	
Cash	115,704
MLDS Subsequent Cash Payment	2,783,110
	2,898,814

The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, "Business Combinations".

(Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

- **Acquisition of Minera Machacala S.A.C, ("Machacala")**

On November 15, 2021 (the "Machacala Closing Date"), the Company completed a share purchase agreement (the "Machacala Agreement") to acquire all issued and outstanding shares of Machacala (the "Machacala Shares") which owns certain rights, titles and interests in and to the Machacala project in the Department of La Libertad of Peru.

Pursuant to the Machacala Agreement, the Company is required to issue a number of common shares, which is equal to $142,500 for $0.20 per share (the "Machacala Share Payment") (issued 712,500 comm shares).

In addition, the Company is obligated to make the following payments (the "Machacala Subsequent Payment"):

- On or before May 15, 2023 $285,000;
- On or before November 15, 2024 $570,000;
- On or before November 15, 2025 $1,425,000; and
- On or before November 15, 2026 $1,852,500.

The Company has an option to satisfy the Machacala Subsequent Payment by issuing the Company's common shares equal to the payment amount determined using the fair value of the Company's common shares on the date of issuance.

Using a risk-adjusted discount rate of 12%, the Company calculated the fair value of the Machacala Subsequent Payment as $2,602,932 and recorded the provision at the Machacala Closing Date (Note 4), which will be accreted to the face value during the term of the Machacala Subsequent Payment.

The total consideration of $2,745,432 associated with the Machacala Agreement has been allocated as follows:

	$
Evaluation and exploration assets	2,745,432
Consideration paid:	
Fair value of common shares	142,500
Machacala Subsequent Payment	2,602,932
	2,745,432

The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, "Business Combinations".

The Machacala Agreement is subject to 1.5% net smelter return royalty interest ("NSR") in all minerals processed and sold from the Machacala project.

In addition, in connection with the acquisition of Machacala, the Company and the former shareholders of Machacala entered into a share pledge agreement (the "Machacala SP Agreement"). Pursuant to the Machacala SP Agreement, the Machacala Shares are pledged to the former shareholders of Machacala as collateral for the Machacala Subsequent Payment and will be released upon the Machacala Subsequent Payment is settled.

(Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

- **Acquisition of Compania Minera SFJ SAC ("SFJ")**

On November 15, 2021 (the "SFJ Closing Date"), the Company completed a share purchase agreement (the "SFJ Agreement") to acquire all issued and outstanding shares of SFJ (the "SFJ Shares") which owns certain rights, titles and interests in and to the Urumalqui project in the Department of La Libertad of Peru.

Pursuant to the SFJ Agreement, the Company is required to issue a number of common shares, which is equal to $7,500 for $0.20 per share (the "SFJ Share Payment") (issued 37,500 comm shares).

In addition, the Company is obligated to make the following payments (the "SFJ Subsequent Payment"):

- On or before May 15, 2023 $15,000;
- On or before November 15, 2024 $30,000;
- On or before November 15, 2025 $75,000; and
- On or before November 15, 2026 $97,500.

The Company has an option to satisfy the SFJ Subsequent Payment by issuing the Company's common shares equal the payment amount determined using the fair value of the Company's common shares on the date of issuance.

Using a risk-adjusted discount rate of 12%, the Company calculated the fair value of the SFJ Subsequent Payment as $136,996 and recorded the provision at the SFJ Closing Date (Note 4), which will be accreted to the face value during the term of the SFJ Subsequent Payment.

In addition, in connection with the acquisition of SFJ, the Company and the former shareholders of SFJ entered into a share pledge agreement (the "SFJ SP Agreement"). Pursuant to the SFJ SP Agreement, the SFJ Shares are pledged to the former shareholders of SFJ as collateral for the SFJ Subsequent Payment and will be released upon the SFJ Subsequent Payment is settled.

The total consideration of $144,496 associated with the SFJ Agreement has been allocated as follows:

	$
Evaluation and exploration assets	144,496
Consideration paid:	
Fair value of common shares	7,500
SFJ Subsequent Payment	136,996
	144,496

The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, "Business Combinations".

The SFJ Agreement is subject to 1.5% net smelter return royalty interest ("NSR") in all minerals processed and sold from the Urumalqui project.

(Expressed in Canadian Dollars)

4. PROVISIONS

	$
Initial recognition	2,783,110
Add: Finance costs	8,507
Effect of movements in exchange rates	(24,969)
As at December 31, 2020	**2,766,648**
Add: Addition	2,739,928
Add: Finance costs	366,880
Effect of movements in exchange rates	32,182
As at December 31, 2021	**5,905,638**
Current	**112,612**
Long-term	**5,793,026**

As discussed in Note 3, the Company has an obligation to settle the MLDS Subsequent Cash Payment, the Machacala Subsequent Payment and the SFJ Subsequent Payment. The fair value of the obligations was initially recognized as a discounted amount by using a risk-adjusted discount rate of 12%, which will be accreted to the face value during the term of the payments.

During the year ended December 31, 2021 and the Prior Period, the Company recognized $366,880 and $8,507, respectively, with a corresponding increase in the carrying value of the provisions.

As of December 31, 2021, the carrying value of the provisions was $5,905,639 (December 31, 2020 – $2,766,648) of which $112,612 (December 31, 2020 – $nil) was classified as a current liability.

5. SHARE CAPITAL

Authorized share capital
Unlimited number of common shares without par value.

Issued share capital
At December 31, 2021 and 2020, the Company had 11,250,000 and 6,000,000 common shares issued and outstanding, respectively.

During the year ended December 31, 2021

- The Company issued 4,500,000 common shares at a price of US$0.025 for gross proceeds of US$112,500 ($136,595). In connection with the private placement, the Company paid $5,025 (US$4,000) as share issue costs.
- As discussed in Note 3, the Company issued 712,500 common shares with a value of $142,500 for the Machacala Share Payment.
- As discussed in Note 3, the Company issued 37,500 common shares with a value of $7,500 for the SFJ Share Payment.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (CONTINUED)

During the Prior Period

- On June 4, 2020, the Company issued 1,000 common shares for US$1 to the incorporator. These common shares were cancelled on December 20, 2020.

- On December 20, 2020, the Company issued 6,000,000 units at a price of US$0.025 for gross proceeds of US$150,000 ($191,724). The proceeds were received during the year ended December 31, 2021. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at an exercise price of US$0.05 at any time prior to December 20, 2022. The warrants were cancelled during the year ended December 31, 2021.

Subsequent to December 31, 2021

- On April 22, 2022, the Company issued 2,936,774 common shares at a price of $0.20 for gross proceeds of $587,355. $297,659 was received during the year ended December 31, 2021.

Warrants

The changes in warrants during December 31, 2021 and 2020, are as follows:

	December 31, 2021		December 31, 2020	
	Number outstanding	Weighted average exercise price (US$)	Number outstanding	Weighted average exercise price (US$)
Balance, beginning of period	6,000,000	0.05	-	-
Issued	-	-	6,000,000	0.05
Cancelled	(6,000,000)	0.05	-	-
Balance, end of period	**-**	**-**	**6,000,000**	**0.05**

6. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. The Company has identified its directors and officers as its key management personnel. Other related parties to the Company include companies in which key management has control or significant influence. Key management personnel receive remuneration from the Company summarized as follows:

- During the year ended December 31, 2021, the Company incurred $14,425 in professional fees from an accounting firm owned whose incorporated partner is the Chief Financial Officer of the Company (December 31, 2020 – $675).

- During the year ended December 31, 2021, the Company incurred $61,449 in professional legal fees from a private company owned by a director of the Company (December 31, 2020 – $2,463).

The balances due to the Company's directors and officer were $13,088 as at December 31, 2021 (December 31, 2020 – $3,223) which were paid subsequent to December 31, 2021.

Unless otherwise noted, all related party balances are unsecured, non-interest bearing with no fixed terms of repayment.

7. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the exploration and evaluation of exploration and evaluation assets. All of the Company's equipment and exploration and evaluation assets are located in Peru.

8. CAPITAL MANAGEMENT

The Company defines its components of shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue business opportunities and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may consider issuing new shares, and/or issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

The Company's investment policy is to keep its cash on deposit in an interest-bearing Canadian chartered bank account. There have been no changes to the Company's approach to capital management at any time during the Period. The Company is not subject to externally imposed capital requirements

9. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, amounts receivable, subscription receivable, and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments. Long-term investment is determined by the closing market price of the securities held by the Company.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

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 that are not based on observable market data.

As at December 31, 2021 and 2020, the financial instrument recorded at fair value on the consolidated statement of financial position is cash which is measured using Level 1 of the fair value hierarchy.

(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value (continued)

Set out below are the Company's financial assets and financial liabilities by category:

	December 31, 2021 $	FVTPL $	Amortized cost $	FVTOCI $
Financial assets:				
ASSETS				
Cash	58,760	58,760	-	-
Amounts receivable	42,915	-	42,915	-
Financial liabilities:				
LIABILITIES				
Accounts payable and accrued liabilities	128,575	-	128,575	-
Current portion of provisions	112,612	-	112,612	-
Provisions	5,793,026	-	5,793,026	-

	December 31, 2020 $	FVTPL $	Amortized cost $	FVTOCI $
Financial assets:				
ASSETS				
Cash	27	27	-	-
Amounts receivable	1,440	-	1,440	-
Subscription receivable	191,724	-	191,724	-
Financial liabilities:				
LIABILITIES				
Accounts payable and accrued liabilities	132,906	-	132,906	-
Provisions	2,766,648	-	2,766,648	-

Financial risk management

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company manages its credit risk through its counterparty ratings and credit limits.

The Company's cash is primarily held through large Canadian financial institutions.

The total cash, subscription receivable, and amounts receivable represent the maximum credit exposure. The Company limits its credit risk exposure by holding cash with reputable financial institutions with high credit ratings. For amounts receivable and subscription receivable, except for the amount due from a government agency, the Company deals with creditworthy counterparties to mitigate the risk of financial loss from defaults.

9. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company's expected source of cash flow in the upcoming year will be through equity financings.

As of December 31, 2021, the Company accounts payable and accrued liabilities of $128,575 and current portion of provisions of $112,611. All of these amounts are current.

Market risk
The significant market risks to which the Company is exposed are interest rate risk, currency risk, other price risk, and commodity price risk.

- 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 not exposed to significant interest rate risk.

- Currency risk
  The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

  The Company's cash, amounts receivable, accounts payable and accrued liabilities and provisions are held in Canadian Dollars ("$"), US Dollars ("US$") and Peruvian Sol ("S/."); therefore, USD and S/. accounts are subject to fluctuation against the Canadian dollar.

  The Company had the following balances in foreign currency as at December 31, 2021:

	CA$	US$	S/.
Cash	32,146	-	84,185
Amounts receivable	3,546	-	124,534
Accounts payable and accrued liabilities	(31,099)	(9,442)	(270,414)
Current portion of provisions	-	(88,690)	-
Provisions	-	(4,562,408)	-
	4,593	**(4,660,540)**	**(61,695)**
Rate to convert to $1.00 CAD	1.00000	1.26973	0.31613
Equivalent to CAD	**4,593**	**(5,917,627)**	**(19,504)**

  Based on the above net exposures as at December 31, 2021, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and S/. would increase/decrease comprehensive loss by $600,000.

(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Market risk (continued)

- Other price risk
  The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to raise financing due to movements in the individual equity prices or general movements in the level of the stock market`. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

10. INCOME TAXES

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

	December 31, 2021 $	December 31, 2020 $
Loss for the year	(642,453)	(26,705)
Expected income tax (recovery)	(173,000)	(7,000)
Change in statutory, foreign tax, foreign exchange rates and other	(9,000)	2,000
Permanent differences	99,000	2,000
Share issue cost	(1,000)	-
Change in unrecognized deductible temporary differences	84,000	3,000
	-	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2021 $	December 31, 2020 $
Deferred Tax Assets		
Exploration and evaluation assets	27,000	-
Equipment	600	-
Share issue costs	1,000	-
Non-capital losses	58,000	3,000
	86,600	3,000
Unrecognized deferred tax assets	(86,600)	(3,000)
Net deferred tax assets	-	-

(Expressed in Canadian Dollars)

10. INCOME TAXES (CONTINUED)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2021 $	Expiry Range	December 31, 2020 $	Expiry Range
Temporary Differences				
Exploration and evaluation assets	99,000	No expiry date	-	Not applicable
Equipment	2,000	No expiry date	-	Not applicable
Share issue costs	4,000	2042 to 2045	-	Not applicable
Non-capital losses available for future period	212,000	2026 to 2041	18,000	2026 to 2040

11. SUBSEQUENT EVENT

On March 10, 2022, the Company and Element79 Gold Corp. ("Element79") signed a letter of intent (LOI) to pursue an acquisition of which Element79 will acquire all of the issued and outstanding shares of the Company by issuing the common shares of Element79 with a value of US$15 million.

CALIPUY RESOURCES INC.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements of Calipuy Resources Inc. (the "Company") for the three months ended March 31, 2022, have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

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Calipuy Resources Inc.

Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

As at	Note(s)	March 31, 2022 $	December 31, 2021 $
ASSETS			
Current assets			
Cash		72,565	58,760
Amounts receivable		82,215	42,915
Subscription receivable	5	-	-
		154,780	**101,675**
Non-current assets			
Equipment		4,582	2,383
Exploration and evaluation assets	3	5,942,315	6,038,041
		5,946,897	**6,040,424**
TOTAL ASSETS		**6,101,677**	**6,142,099**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	162,266	128,575
Current portion of provisions	4	114,011	112,612
		276,277	**241,187**
Long term liabilities			
Provisions	4	5,865,023	5,793,026
TOTAL LIABILITIES		**6,141,300**	**6,034,213**
SHAREHOLDERS' EQUITY			
Share capital	5	473,294	473,294
Shares subscribed	5	297,659	297,659
Foreign currency translation reserve		(235,498)	6,091
Deficit		(575,078)	(669,158)
TOTAL SHAREHOLDERS' EQUITY		**(39,623)**	**107,886**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6,101,677**	**6,142,099**

Corporate information and continuance of operations	1
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These consolidated financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/s/ James C. Tworek Director

(Expressed in Canadian Dollars)

	Note(s)	For the three months ended March 31, 2022 $	For the three months ended March 31, 2021 $
Expenses			
Consulting fees		12,642	-
Depreciation		163	-
Exploration and evaluation costs		22,297	-
Foreign exchange loss (gain)		(349,368)	(126)
General and administrative		913	(178)
Professional fees		47,824	1,385
Regulatory and transfer agents		2,157	-
		263,372	**(1,081)**
Other income			
Accretion of interest of provisions	4	(169,292)	-
Income (Loss) for the period		**94,080**	**(1,081)**
Other comprehensive income (loss)			
Foreign currency translation differences for foreign operations		(241,589)	-
Total comprehensive loss		**(147,509)**	**(1,081)**
Basic and diluted loss per share for the period ($ per common share)		**(0.02)**	**(0.00)**
Weighted average number of common shares outstanding			
- basic and diluted		**11,250,000**	**6,000,000**

(Expressed in Canadian Dollars)

	Note	Share capital					
		Number of shares	Amount	Shares subscribed	Foreign currency translation reserve	Deficit	Total
Balance at December 31, 2020		**6,000,000**	**191,724**	**-**	**26,062**	**(26,705)**	**191,081**
Loss for the period		-	-	-	-	(1,081)	**(1,081)**
Balance at March 31, 2021		**11,250,000**	**191,724**	**-**	**26,062**	**(27,786)**	**(190,000)**
Balance at December 31, 2021		**11,250,000**	**473,294**	**297,659**	**6,091**	**(669,158)**	**107,886**
Other comprehensive loss		**-**	**-**	**-**	**(241,589)**	**-**	**(241,589)**
Loss for the period		**-**	**-**	**-**	**-**	**94,080**	**94,080**
Balance at March 31, 2022		**11,250,000**	**473,294**	**297,659**	**(235,498)**	**(575,078)**	**(39,623)**

(Expressed in Canadian Dollars)

	Note	For the three months ended March 31, 2022 $	For the three months ended March 31, 2021 $
Cash flow provided from (used by)			
OPERATING ACTIVITIES			
Income (Loss) for the period		94,080	(1,081)
Adjustments for items not affecting cash:			
Depreciation		163	-
Accretion of interest of provisions	4	169,292	-
Change in non-cash working capital			
Amounts receivable		(39,300)	(156)
Accounts payable and accrued liabilities		33,691	(114,643)
Cash flow used in operating activities		**257,926**	**(115,880)**
FINANCING ACTIVITIES			
Shares subscribed	5	-	120,547
Cash flow from financing activities		**-**	**120,547**
Effects of exchange rate changes on cash		(244,121)	3,652
Increase (Decrease) in cash		**13,805**	**8,319**
Cash, beginning of period		**58,760**	**27**
Cash, end of period		**72,565**	**8,346**
SUPPLEMENTAL CASH FLOW			
Shares issued for acquisition	3, 5	-	-
Fair value of provision at the date of acquisition	3, 4	-	-
Subscription receivable	5	-	-
Cash paid during the period for interest		-	
Cash paid during the period for income taxes		-	-

See accompanying notes to these consolidated financial statements.

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Calipuy Resources Inc. (the "Company" or "Calipuy") was incorporated under the Business Corporations Act (British Columbia) on June 4, 2020. The Company together with its subsidiaries (collectively referred to as the "Group") is engaged in the identification, acquisition and exploration of mineral properties. The Company's registered office is located at Suite 480, 1500 West Georgia Street, Vancouver, BC V6E 3X2.

The Company has completed the following acquisitions:

- On December 21, 2020, the Company completed the acquisition of Minas Lucero Del Sur S.A.C. ("MLDS") from Condor Resources Inc. ("Condor");
- On January 28, 2021, the Company completed the acquisition of Compania Minera Calipuy S.A.C.;
- On November 15, 2021, the Company completed the acquisition of Minera Machacala S.A.C. ("Machacala"); and
- On November 15, 2021, the Company completed the acquisition of Compania Minera SFJ ("SFJ") S.A.C.

As of the date of the consolidated financial statements, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These unaudited consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As of March 31, 2022, the Company had a working capital deficiency of $121,497 (December 31, 2021 – $139,512) and had not advanced its mineral properties to commercial production and is not able to finance day-to-day activities through operations. The Company's continuation as a going concern is dependent upon the successful exercise of its mineral property option agreements, results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from and/or raise equity capital or borrowings sufficient to meet current and future obligations and ongoing operating losses. These uncertainties cast a significant doubt on the ability of the Company to continue operations as a going concern. These financial statements do not include any adjustments that might result from this uncertainty.

Stock split

On February 1, 2021, the Company implemented a 10 for 1 forward split (the "Stock Split") of the Company's issued and outstanding common shares. The number of shares and relevant information including but not limited to the share price, number of warrants and exercise price per warrant presented in these financial statements had been retroactively adjusted accordingly.

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. 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 at this time.

The consolidated financial statements of the Company for the three months ended March 31, 2022 and March 31, 2021 (the "Prior Period") were approved by the Board of Directors on September 8, 2022.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION

Statement of compliance to International Financial Reporting Standards

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended December 31, 2021.

Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These consolidated financial statements are presented in Canadian dollars ("$" or "CA$"). The functional currency of the Group is the United States dollar ("US$").

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on March 31, 2022.

The policies set out below were consistently applied to all periods presented unless otherwise noted below.

Basis of consolidation

These consolidated financial statements comprise the accounts of the Company and the following subsidiaries of the Company:

- Calipuy Holdings Inc., a company incorporated under the Business Corporations Act (British Columbia) (ownership – 100%);
- Minas Lucero Del Sur S.A.C., a company incorporated under the laws of Peru (ownership – 100%);
- Compania Minera Calipuy S.A.C., a company incorporated under the laws of Peru (ownership – 100%);
- Minera Machacala S.A.C., a company incorporated under the laws of Peru (ownership – 100%); and
- Compania Minera SFJ S.A.C., a company incorporated under the laws of Peru (ownership – 100%).

All subsidiaries have a reporting date of December 31.

- **Subsidiaries**
  A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

- **Acquisitions and disposals**

  The results of businesses acquired during the reporting period are brought into the consolidated financial statements from the date the control is transferred; the results of businesses sold during the reporting period are included in the consolidated financial statements for the period up to the date the control is ceased.

  Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the statement of loss and comprehensive loss.

Significant management judgment and estimates in applying accounting policies

- **Critical accounting estimates**

  Carrying value and recoverability of exploration and evaluation assets

  The carrying amount of the Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to commence and complete development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

  Shares issued for acquisitions

  The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration, specifically relating to shares issued for acquisitions and for exploration and evaluation properties. Shares are valued at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, then those shares are valued at the fair value of the equity instruments granted at the date the Company receives the good or service. When no market price is available, a valuation technique is used to determine what price the equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. In the case of the Company, the fair value of the shares issued was estimated with reference to the price of the latest financing before the issuance or the arm's length terms per the agreement.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant management judgment and estimates in applying accounting policies (continued)

- **Critical accounting estimates (continued)**

  Income taxes and recoverability of potential deferred tax assets
  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

  Incremental borrowing rate
  A 12% discount rate is used to discount the future payments the Company is required to make for various acquisitions to measure the present value of those liabilities at the inception date.

- **Critical accounting judgments**

  Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

  Determination of going concern (note 1)
  The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

  Determination of functional currency
  In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Company and its subsidiaries are the United States dollar ("US$") as this is the currency of the primary economic environment in which the Company operates.

Cash
Cash is comprised of cash on hand and deposits held on call with banks, net of bank overdrafts which are repayable on demand.

Foreign exchange

- **Translation of foreign transactions and balances into the functional currency**
  Foreign currency transactions are translated into the functional currency of the underlying entity using appropriate average rates of exchange. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of each reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Foreign exchange (continued)

- **Translation of the functional currency into the presentation currency**
  The results of operations which have a different currency than Canadian dollars are translated to Canadian dollars at appropriate average rates of exchange during the year and are included in other comprehensive income (loss). The assets and liabilities of these operations are translated to Canadian dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of these operation's assets and liabilities to Canadian dollars at period end are recognized in accumulated other comprehensive income (loss) as a foreign currency translation adjustment. When a operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

Financial instruments

- **Financial assets**

  Classification and measurement
  The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

  The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

  Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

  Financial assets at FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges. As of March 31, 2022 and 2021, the Company has classified its cash as FVTPL.

  Financial assets at FVTOCI – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. As of March 31, 2022 and 2021, the Company has no financial assets classified as FVOCI.

  Financial assets at amortized cost – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. As of March 31, 2022 and 2021, the Company has classified its amounts receivable and subscription receivable as amortized cost.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (continued)

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets
Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

- **Financial liabilities**

Classification and measurement
The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss (FVTPL) – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities – This category consists of liabilities carried at amortized cost using the effective interest method. As at March 31, 2022 and 2021, the Company has classified its accounts payable and accrued liabilities, current portion of provisions and provisions as other financial liabilities

Refer to Note 9 for further disclosures.

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Taxation

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

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

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

Share Capital

Finder's warrants, stock options and other equity instruments issued as consideration in nonmonetary transactions other than as consideration for exploration and evaluation assets are recorded at fair value as determined by management. Proceeds from unit placements are allocated between common shares and warrants using the residual value method, which allocates value first to the fair value of the common shares and the balance, if any, is allocated to the attached warrants.

Loss per share

Basic loss per share is calculated by dividing the net loss for the year divided by the weighted average number of Common Shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of Common Share equivalents, such as outstanding stock options and warrants, in the weighted average number of Common Shares outstanding during the period, if dilutive.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Exploration and evaluation

- **Exploration and evaluation assets**
  Exploration and evaluation assets include acquired mineral rights for mineral exploration properties held by the Company. The amount of consideration paid (in cash or share value) for mineral rights is capitalized. The amounts shown for exploration and evaluation assets represent costs of acquisition, incurred to date, less recoveries, and do not necessarily reflect present or future values. These costs will be written off if the evaluation and exploration assets are abandoned or sold. Included in the cost of exploration and evaluation assets is the cost of any estimated decommissioning liability. The Company has classified exploration and evaluation assets as intangible in nature. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon reserves.

  Ownership in exploration and evaluation assets involves certain inherent risks, including geological, metal prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for the evaluation and exploration assets is dependent upon the delineation of economically recoverable ore reserves, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate a mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its exploration and evaluation assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of exploration and evaluation assets carrying values.

- **Exploration and evaluation costs**
  Exploration and evaluation costs, other than those described above, are expensed as incurred until such time as mineral reserves are proven or probable, permits to operate the mineral resource property are received and financing to complete development has been obtained. Following confirmation of mineral reserves, receipt of permits to commence mining operations and obtaining necessary financing, exploration and evaluation costs are capitalized as deferred development expenditures included within equipment.

Impairment of non-financial assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's ("CGU") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Impairment of non-financial assets (continued)
For exploration and evaluation assets, indicators of impairment include, but are not limited to, expiration of a right to explore, no budgeted or planned material expenditure in an area, or a decision to discontinue exploration in a specific area. Impairment losses of continuing operations are recognized in net loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years.

Equipment
Equipment is initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of equipment and vehicles to write off the carrying value of items over their expected useful economic lives. Depreciation is provided on a straight-line basis over the estimated useful lives of the equipment at the following annual rates:

- Field Equipment 25%

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it's probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Contingent consideration
Contingent consideration from an asset acquisition is recognized when: (i) the conditions associated with the contingency are met; (ii) the Company has a present legal or constructive obligation that can be estimated reliably; and (iii) and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingencies

- **Contingent assets**
  Contingent assets are not recognized in the financial statements but they are disclosed by way of a note if they are deemed probable.

- **Contingent liabilities**
  Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are recognized in the financial statements unless the possibility of an outflow of economic resources is considered remote, in which case they are disclosed in the notes to the consolidated financial statements.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

New accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2022. The Company does not expect that any new or amended standards or interpretations that are effective for annual periods beginning on or after January 1, 2022 will have a significant impact on the Company's results of operations or financial position.

3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets as of March 31, 2022 and 2021

	Lucero project $	Machacala project $	Urumalqui project $	TOTAL $
As at December 31, 2020	**2,897,444**	**-**	**-**	**2,897,444**
Acquisition costs	-	2,745,432	144,496	2,889,928
Concession and assignment payments	197,335	41,073	6,020	244,428
Effect of movements in exchange rate	(33,191)	37,476	1,956	6,241
As at December 31, 2021	**3,061,588**	**2,823,981**	**152,472**	**6,038,041**
Effect of movements in exchange rate	(48,537)	(44,771)	(2,418)	(95,726)
As at March 31, 2022	**3,013,051**	**2,779,210**	**150,054**	**5,942,315**

- **Acquisition of Minas Lucero Del Sur S.A.C, ("MLDS")**

  On December 21, 2020 (the "MLDS Closing Date"), the Company completed a share purchase agreement (the "MLDS Agreement") with Condor Resources Inc. ("Condor") to acquire all issued and outstanding shares of MLDS (the "MLDS Shares") which owns certain rights, titles and interests in and to the Lucero mine project in the District of Chacas in Peru.

  Pursuant to the MLDS Agreement, the Company is obligated to make the following payments (the "MLDS Cash Payment") to Condor:

  - On the MLDS Closing Date — US$90,000 (paid – $115,704);
  - On or before June 21, 2022 — US$75,000*;
  - On or before December 21, 2022 — US$300,000*;
  - On or before December 21, 2023 — US$500,000*; and
  - On or before December 21, 2024 — US$1,000,000*.

  In addition to the MLDS Cash Payment, the Company will make an additional cash payment of US$1,535,000 (the "MLDS Final Cash Payment") to Condor on or before December 31, 2026 in an amount equal to the additional amount required to make the total aggregate amount of the MLDS Cash Payment and the MLDS Final Cash Payment to be US$3,500,000* unless:

  (i) The Company accelerates the MLDS Cash Payment and all such MLDS Cash Payment are made within thirty-six (36) months of the MLDS Closing Date in which case the MLDS Final Cash Payment shall be an amount equal to the additional amount required to make the total aggregate amount of the MLDS Cash Payment and the MLDS Final Cash Payment to be US$3,000,000;

(Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

- **Acquisition of Minas Lucero Del Sur S.A.C, ("MLDS") (continued)**

(ii) Subject to (i), the price of gold averages not less than US$2,500 per ounce during the 30 days prior to the payment date of the MLDS Final Cash Payment, in which case the MLDS Final Cash Payment shall be an amount equal to the additional amount required to make the total aggregate amount of the MLDS Cash Payment and the MLDS Final Cash Payment to be US$4,000,000; or

(iii) Subject to (i), the price of gold averages not less than US$3,000 per ounce during the 30 days prior to the payment date of the MLDS Final Cash Payment, in which case the MLDS Final Cash Payment shall be an amount equal to the additional amount required to make the total aggregate amount of the MLDS Cash Payment and the MLDS Final Cash Payment to be US$6,000,000.

** collectively the "MLDS Subsequent Cash Payment"*

Using a risk-adjusted discount rate of 12%, the Company calculated the fair value of the MLDS Subsequent Cash Payment as $2,783,110 and recorded the provision at the MLDS Closing Date (Note 4), which will be accreted to the face value during the term of the MLDS Subsequent Cash Payment.

Pursuant to the MLDS Agreement, until the MLDS Subsequent Cash Payment is settled and subsequent to the Company receiving the first $550,000 proceeds from the future financings, Condor has the right but not the obligation to convert all or part of the outstanding MLDS Subsequent Cash Payment into the Company's common shares at a discounted price of 20% of the price offered in the future financing.

In addition, in connection with the acquisition of MLDS, the Company and Condor entered into a share pledge agreement (the "MLDS SP Agreement"). Pursuant to the MLDS SP Agreement, the MLDS Shares are pledged to Condor as collateral for the MLDS Subsequent Cash Payment and will be released upon the MLDS Subsequent Cash Payment being settled.

The total consideration of $2,898,814 associated with the MLDS Agreement has been allocated as follows:

	$
Cash	27
Amounts receivable	1,343
Evaluation and exploration assets	2,897,444
	2,898,814
Consideration paid:	
Cash	115,704
MLDS Subsequent Cash Payment	2,783,110
	2,898,814

The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, "Business Combinations".

(Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

- **Acquisition of Minera Machacala S.A.C, (“Machacala”)**

On November 15, 2021 (the “Machacala Closing Date”), the Company completed a share purchase agreement (the “Machacala Agreement”) to acquire all issued and outstanding shares of Machacala (the “Machacala Shares”) which owns certain rights, titles and interests in and to the Machacala project in the Department of La Libertad of Peru.

Pursuant to the Machacala Agreement, the Company is required to issue a number of common shares, which is equal to $142,500 for $0.20 per share (the “Machacala Share Payment”) (issued 712,500 comm shares).

In addition, the Company is obligated to make the following payments (the “Machacala Subsequent Payment”):

- On or before May 15, 2023 $285,000;
- On or before November 15, 2024 $570,000;
- On or before November 15, 2025 $1,425,000; and
- On or before November 15, 2026 $1,852,500.

The Company has an option to satisfy the Machacala Subsequent Payment by issuing the Company’s common shares equal to the payment amount determined using the fair value of the Company’s common shares on the date of issuance.

Using a risk-adjusted discount rate of 12%, the Company calculated the fair value of the Machacala Subsequent Payment as $2,602,932 and recorded the provision at the Machacala Closing Date (Note 4), which will be accreted to the face value during the term of the Machacala Subsequent Payment.

The total consideration of $2,745,432 associated with the Machacala Agreement has been allocated as follows:

	$
Evaluation and exploration assets	2,745,432
Consideration paid:	
Fair value of common shares	142,500
Machacala Subsequent Payment	2,602,932
	2,745,432

The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, “Business Combinations”.

The Machacala Agreement is subject to 1.5% net smelter return royalty interest (“NSR”) in all minerals processed and sold from the Machacala project.

In addition, in connection with the acquisition of Machacala, the Company and the former shareholders of Machacala entered into a share pledge agreement (the “Machacala SP Agreement”). Pursuant to the Machacala SP Agreement, the Machacala Shares are pledged to the former shareholders of Machacala as collateral for the Machacala Subsequent Payment and will be released upon the Machacala Subsequent Payment is settled.

(Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

- **Acquisition of Compania Minera SFJ SAC ("SFJ")**

  On November 15, 2021 (the "SFJ Closing Date"), the Company completed a share purchase agreement (the "SFJ Agreement") to acquire all issued and outstanding shares of SFJ (the "SFJ Shares") which owns certain rights, titles and interests in and to the Urumalqui project in the Department of La Libertad of Peru.

  Pursuant to the SFJ Agreement, the Company is required to issue a number of common shares, which is equal to $7,500 for $0.20 per share (the "SFJ Share Payment") (issued 37,500 comm shares).

  In addition, the Company is obligated to make the following payments (the "SFJ Subsequent Payment"):

  - On or before May 15, 2023 $15,000;
  - On or before November 15, 2024 $30,000;
  - On or before November 15, 2025 $75,000; and
  - On or before November 15, 2026 $97,500.

  The Company has an option to satisfy the SFJ Subsequent Payment by issuing the Company's common shares equal the payment amount determined using the fair value of the Company's common shares on the date of issuance.

  Using a risk-adjusted discount rate of 12%, the Company calculated the fair value of the SFJ Subsequent Payment as $136,996 and recorded the provision at the SFJ Closing Date (Note 4), which will be accreted to the face value during the term of the SFJ Subsequent Payment.

  In addition, in connection with the acquisition of SFJ, the Company and the former shareholders of SFJ entered into a share pledge agreement (the "SFJ SP Agreement"). Pursuant to the SFJ SP Agreement, the SFJ Shares are pledged to the former shareholders of SFJ as collateral for the SFJ Subsequent Payment and will be released upon the SFJ Subsequent Payment is settled.

  The total consideration of $144,496 associated with the SFJ Agreement has been allocated as follows:

	$
Evaluation and exploration assets	144,496
Consideration paid:	
Fair value of common shares	7,500
SFJ Subsequent Payment	136,996
	144,496

  The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, "Business Combinations".

  The SFJ Agreement is subject to 1.5% net smelter return royalty interest ("NSR") in all minerals processed and sold from the Urumalqui project.

(Expressed in Canadian Dollars)

4. PROVISIONS

	$
Initial recognition	2,783,110
Add: Finance costs	8,507
Effect of movements in exchange rates	(24,969)
As at December 31, 2020	**2,766,648**
Add: Addition	2,739,928
Add: Finance costs	366,880
Effect of movements in exchange rates	32,182
As at December 31, 2021	**5,905,638**
Add: Finance costs	169,292
Effect of movement in exchange rates	**(95,896)**
As at March 31, 22	**5,979,034**
Current	**114,011**
Long-term	**5,865,023**

As discussed in Note 3, the Company has an obligation to settle the MLDS Subsequent Cash Payment, the Machacala Subsequent Payment and the SFJ Subsequent Payment. The fair value of the obligations was initially recognized as a discounted amount by using a risk-adjusted discount rate of 12%, which will be accreted to the face value during the term of the payments.

During the three months ended March 31, 2022 and the Prior Period, the Company recognized $169,292 and $NIL, respectively, with a corresponding increase in the carrying value of the provisions.

As of March 31, 2022, the carrying value of the provisions was $5,979,034 (December 31, 2021 – $5,905,639) of which $114,011 (December 31, 2021 – $112,612) was classified as a current liability.

5. SHARE CAPITAL

Authorized share capital
Unlimited number of common shares without par value.

Issued share capital
At March 31, 2022 and December 31, 2021, the Company had 11,250,000 common shares issued and outstanding.

During the year ended December 31, 2021

- The Company issued 4,500,000 common shares at a price of US$0.025 for gross proceeds of US$112,500 ($136,595). In connection with the private placement, the Company paid $5,025 (US$4,000) as share issue costs.
- As discussed in Note 3, the Company issued 712,500 common shares with a value of $142,500 for the Machacala Share Payment.
- As discussed in Note 3, the Company issued 37,500 common shares with a value of $7,500 for the SFJ Share Payment.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (CONTINUED)

Warrants

The changes in warrants during the three months ended March 31, 2022 and the year ended December 31, 2021, are as follows:

	March 31, 2022		December 31, 2021	
	Number outstanding	Weighted average exercise price (US$)	Number outstanding	Weighted average exercise price (US$)
Balance, beginning of period	-	-	6,000,000	0.05
Issued	-	-	-	-
Cancelled	-	-	(6,000,000)	0.05
Balance, end of period	-	-	-	-

6. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. The Company has identified its directors and officers as its key management personnel. Other related parties to the Company include companies in which key management has control or significant influence. Key management personnel receive remuneration from the Company summarized as follows:

- During the three months ended March 31, 2022, the Company incurred $10,068 in professional fees from an accounting firm, whose incorporated partner is the Chief Financial Officer of the Company (March 31, 2021 – $nil).

- During the three months ended March 31, 2022, the Company incurred $29,650 in professional legal fees from a private company owned by a director of the Company (March 31, 2021 – $nil).

The balances due to the Company's directors and officer were $2,959 as at March 31, 2022 (March 31, 2021 – $2,547) which were paid subsequent to March 31, 2022.

Unless otherwise noted, all related party balances are unsecured, non-interest bearing with no fixed terms of repayment.

7. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the exploration and evaluation of exploration and evaluation assets. All of the Company's equipment and exploration and evaluation assets are located in Peru.

8. CAPITAL MANAGEMENT

The Company defines its components of shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue business opportunities and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may consider issuing new shares, and/or issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

The Company's investment policy is to keep its cash on deposit in an interest-bearing Canadian chartered bank account. There have been no changes to the Company's approach to capital management at any time during the Period. The Company is not subject to externally imposed capital requirements

9. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, amounts receivable, subscription receivable, and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments. Long-term investment is determined by the closing market price of the securities held by the Company.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

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 that are not based on observable market data.

As at March 31, 2022 and 2021, the financial instrument recorded at fair value on the consolidated statement of financial position is cash which is measured using Level 1 of the fair value hierarchy.

(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value (continued)

Set out below are the Company's financial assets and financial liabilities by category:

	March 31, 2022 $	FVTPL $	Amortized cost $	FVTOCI $
Financial assets:				
ASSETS				
Cash	72,565	72,565	-	-
Amounts receivable	82,215	-	82,215	-
Financial liabilities:				
LIABILITIES				
Accounts payable and accrued liabilities	162,266	-	162,266	-
Current portion of provisions	114,011	-	114,011	-
Provisions	5,865,023	-	5,865,023	-

	December 31, 2021 $	FVTPL $	Amortized cost $	FVTOCI $
Financial assets:				
ASSETS				
Cash	58,760	58,760	-	-
Amounts receivable	42,915	-	42,915	-
Financial liabilities:				
LIABILITIES				
Accounts payable and accrued liabilities	128,575	-	128,575	-
Current portion of provisions	112,612	-	112,612	-
Provisions	5,793,026	-	5,793,026	-

Financial risk management

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company manages its credit risk through its counterparty ratings and credit limits.

The Company's cash is primarily held through large Canadian financial institutions.

The total cash, subscription receivable, and amounts receivable represent the maximum credit exposure. The Company limits its credit risk exposure by holding cash with reputable financial institutions with high credit ratings. For amounts receivable and subscription receivable, except for the amount due from a government agency, the Company deals with creditworthy counterparties to mitigate the risk of financial loss from defaults.

9. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company's expected source of cash flow in the upcoming year will be through equity financings.

As of March 31, 2022, the Company has accounts payable and accrued liabilities of $162,266 and current portion of provisions of $114,011. All of these amounts are current.

Market risk
The significant market risks to which the Company is exposed are interest rate risk, currency risk, other price risk, and commodity price risk.

- 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 not exposed to significant interest rate risk.

- Currency risk
  The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

  The Company's cash, amounts receivable, accounts payable and accrued liabilities and provisions are held in Canadian Dollars ("$"), US Dollars ("US$") and Peruvian Sol ("S/."); therefore, USD and S/. accounts are subject to fluctuation against the Canadian dollar.

  The Company had the following balances in foreign currency as at March 31, 2022:

	CA$	US$	S/.
Cash	30,106	58	125,744
Amounts receivable	138	-	226,360
Accounts payable and accrued liabilities	(29,209)	(39,059)	(1,614,189)
Current portion of provisions	-	(91,238)	-
Provisions	-	(4,846,742)	-
	1,035	**(4,976,981)**	**(1,262,085)**
Rate to convert to $1.00 CAD	1.00000	1.2496	0.26985
Equivalent to CAD	**1,035**	**(6,219,235)**	**(340,574)**

  Based on the above net exposures as at March 31, 2022, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and S/. would increase/decrease comprehensive loss by $660,000.

9. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Market risk (continued)

- Other price risk
  The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to raise financing due to movements in the individual equity prices or general movements in the level of the stock market`. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

10. SUBSEQUENT EVENT

On April 22, 2022, the Company completed a private placement pursuant to which it issued 2,943,524 common shares at a price of $0.20 per common share for gross proceeds of $588,704.80.

On June 28, 2022, the Company was acquired by Element79 Gold Corp. ("Element79"). Element79 acquired all of the issued and outstanding shares of the Company by the issuance of common shares of Element79 and performance bonus warrants of Element79 with an aggregate total value of US$15 million.