

Quimbaya Gold Inc.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Expressed in Canadian Dollars) (Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM 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 consolidated interim financial statements, they must be accompanied by a notice indicating that these condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

QUIMBAYA GOLD INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

	For the three months ended June 30, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
EXPENSES				
Consulting fees (Note 8)	\$ 85,000	\$ 44,000	\$ 170,000	\$ 85,000
Directors' fees (Note 8)	-	-	-	5,000
Exploration expenditures (Note 3)	226,521	28,566	437,334	31,947
Filing fees and transfer agent	9,170	4,216	21,181	9,480
Finance expense (Note 9)	13,511	5,080	29,059	5,080
Foreign exchange	-	140	-	(680)
Investor relations	106,135	18,135	169,331	18,135
Marketing	97,550	23,748	162,022	30,973
Office and administration	22,998	7,610	50,700	9,562
Professional fees	25,637	53,189	131,273	86,327
Property investigation	-	9,581	-	9,581
Share-based payments (Note 7)	-	9,410	-	9,410
Travel	46,280	31,427	96,735	58,486
	(632,802)	(235,102)	(1,267,635)	(358,301)
Conversion of convertible debenture (Note 5)	(16,801)	-	(16,801)	-
Recovery on asset impairment (Note 8)	3,062	-	3,062	-
Interest income (Note 8)	-	3,273	488	6,545
Net loss	(646,541)	(231,829)	(1,280,886)	(351,756)
Other comprehensive loss				
Exchange difference on translation of foreign operations	(27,211)	(640)	(34,567)	(2,095)
Loss and comprehensive loss for the period	\$ (673,752)	\$ (232,469)	\$ (1,315,453)	\$ (353,851)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.02)	\$ (0.05)	\$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	28,528,981	15,224,643	28,144,941	15,214,624

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

QUIMBAYA GOLD INC.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)
FOR THE SIX MONTHS ENDED JUNE 30,

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (1,280,886)	\$ (351,756)
Interest income	-	(6,545)
Finance expense	29,059	5,080
Loss on conversion of convertible debentures	16,801	-
Share-based payments	-	9,410
Shares issued for services	3,425	18,225
Recovery on impaired asset	(3,062)	-
Changes in non-cash working capital items:		
Accounts receivable	42,045	(534)
Accounts payable	282,894	(21,345)
Prepaid expenses	<u>119,551</u>	<u>(15,952)</u>
Net cash used in operating activities	<u>(790,173)</u>	<u>(363,417)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment of loans receivable and accrued interest	103,062	-
Acquisition of mineral concessions	(311,932)	-
Funds on deposit for acquisition	<u>-</u>	<u>(136,012)</u>
Net cash used in investing activities	<u>(208,870)</u>	<u>(136,012)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Funds received for convertible loans	-	280,000
Shares issued for cash	712,500	-
Loan funds received	304,435	-
Loan funds repaid	<u>(10,317)</u>	<u>-</u>
Net cash provided by financing activities	<u>1,006,618</u>	<u>280,000</u>
Effect of foreign exchange on cash	(18,819)	(1,657)
Change in cash for the period	(11,244)	(221,086)
Cash, beginning of period	<u>20,656</u>	<u>330,680</u>
Cash, end of period	<u>\$ 9,412</u>	<u>\$ 109,594</u>
Supplemental cash flow information		
Shares issued for settlement of debts	\$ 400,355	\$ -
Share issue costs in accounts payable	14,140	-
Bonus warrants issued for convertible loans	-	15,725
Conversion feature on convertible loans	-	36,680
Shares issued for mineral property claims	<u>137,000</u>	<u>-</u>

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

QUIMBAYA GOLD INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollars)

(Unaudited)

	Common Shares		Obligation to issue shares	Reserves	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
	Number	Amounts					
Balance, December 31, 2022	15,201,952	\$ 1,944,406	\$ 75,000	\$ 333,610	\$ (8,432)	\$ (1,798,898)	\$ 545,686
Convertible loan issued	-	-	-	36,680	-	-	36,680
Bonus warrants on convertible loan	-	-	-	15,725	-	-	15,725
Shares issued for services	37,114	18,225	-	-	-	-	18,225
Share-based payments	-	-	-	9,410	-	-	9,410
Comprehensive loss for the period	-	-	-	-	(2,095)	(351,756)	(353,851)
Balance, June 30, 2023	15,239,066	\$ 1,962,631	\$ 75,000	\$ 395,425	\$ (10,527)	\$ (2,150,654)	\$ 271,875
Balance, December 31, 2023	27,757,993	\$ 6,930,009	\$ 75,000	\$ 300,588	\$ (10,219)	\$ (3,011,683)	\$ 4,283,695
Shares issued for services	7,785	3,425	-	-	-	-	3,425
Shares issued for mineral properties	274,000	137,000	-	-	-	-	137,000
Shares issued for debt settlements	1,057,140	537,142	-	(8,572)	-	-	528,570
Shares issued for cash	1,425,000	712,500	-	-	-	-	712,500
Share issue costs	-	(14,140)	-	-	-	-	(14,140)
Comprehensive loss for the period	-	-	-	-	(34,567)	(1,280,886)	(1,315,453)
Balance, June 30, 2024	30,521,918	\$ 8,305,936	\$ 75,000	\$ 292,016	\$ (44,786)	\$ (4,292,569)	\$ 4,335,597

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

QUIMBAYA GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

1. NATURE AND GOING CONCERN

Quimbaya Gold Inc. (the “Company”) was incorporated in Canada under the Canada Business Corporations Act on May 27, 2020. The Company is principally engaged in the acquisition and exploration and development of mineral properties in Colombia. The Company maintains its registered office at 3400 - 350 7th Avenue SW, Calgary, Alberta, T2P 3N9. The Company is listed on the Canadian Securities Exchange under the symbol “QIM” and OTCQB under the symbol “QIMGF”.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has a working capital deficit of \$892,828 (December 31, 2023 – \$10,834) and accumulated deficit of \$4,292,569 (December 31, 2023 - \$3,011,683) as at June 30, 2024. The Company reported a net loss of \$1,280,886 and negative cashflows from operations of \$790,173 for the period ended June 30, 2024. The Company’s ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or achieve profitable operations. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management may be required to curtail certain expenses. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These events and conditions indicate a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statement, including IAS 34, Interim Financial Reporting. Accordingly, these financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

These condensed consolidated interim financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements as at and for the year ended December 31, 2023, and the notes thereto.

Basis of consolidation and presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed consolidated interim financial statements include the accounts of the Company, and its material subsidiaries as follows:

Company	Place of Incorporation	Effective Interest	Principal Activity	Functional currency
Golden Pacifico Exploration S.A.S. (“Golden Pacifico”)	Colombia	100%	Mining exploration	Colombian peso
Explogold Ingenieria y Consultoria S.A.S. (“Explogold”)	Colombia	100%	Mining exploration	Colombian peso
Minera Buey Aures S.A.S. (“Minera Buey”)	Colombia	100%	Mining exploration	Colombian peso
Soluciones Ambientales Del Nordeste S.A.S. (“Nordeste”)	Colombia	100%	Mining exploration	Colombian peso
Quimbaya Gold Colombia S.A.S.	Colombia	100%	Mining exploration	Colombian peso

QUIMBAYA GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

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FOR THE SIX MONTHS ENDED JUNE 30, 2024

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

Basis of consolidation and presentation (cont'd...)

Subsidiaries are entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

The accounts of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions are eliminated upon consolidation.

Use of judgments and estimates

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its estimates and assumptions. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

Deferred taxes

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates, and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

Share-based payments

The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services for share-based payments made to those other than employees or others providing similar services.

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted for share-based payments made to employees or others providing similar services. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the underlying common shares, the expected life of the share option, volatility and dividend yield and making assumptions about them.

QUIMBAYA GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

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

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

Loans payable

Management has made estimates with respect to the effective interest rate applied to the convertible loans payable (Note 5).

Loans receivable

Due to the financial status of the debtor with respect to the loans receivable, management has estimated the recoverable amount with available information (Note 8).

The key areas of judgment applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Provisions

Management's determination of no material restoration, rehabilitation and environmental exposure is based on the facts and circumstances that existed during the year.

- Functional currency

The functional currency of the Company and its subsidiary is the currency of their respective primary economic environment. Judgement is necessary in evaluating each entity's functional currency.

- Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operation expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances (Note 1).

- Mineral Properties

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely to arise from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Exploration and evaluation assets are reviewed for changes in facts and circumstances suggesting the carrying amount exceeds the recoverable amount at each condensed consolidated interim statement of financial position date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends and interruptions in exploration activities. The Company's review considers the following:

QUIMBAYA GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

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

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

- The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources, and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

- Deferred tax

The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

- Exploration and evaluation assets

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain mineral titles as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties.

- Acquisitions

The acquisitions in Note 3 required management to make a judgment as to whether the entities constituted a business under the definitions of IFRS 3. The assessment required management to assess the inputs, processes, and ability of those entities to produce outputs at the time of acquisition. Pursuant to the assessment, the acquisition of the entities was considered an asset acquisition.

3. EXPLORATION AND EVALUATION ASSETS

Berrio Project, Colombia

On November 10, 2020, the Company entered into an asset purchase agreement (“APA”) with Pacifico Holdings S.A.S. (“Pacifico Holdings”) and shares purchase agreement (“SPA”) with West Rock Resources Panama Corp. (“West Rock”). Pursuant to the agreements, on December 10, 2020, the Company acquired all of the issued and outstanding common shares of GPE SAS which holds the Concession Mining Contact No. 6822 in the Antioquia region of Colombia (the “Berrio Project”). The Company paid total cash consideration of \$185,579 to Pacifico Holdings and West Rock for GPE SAS and certain related historic drill core with respect to the Berrio Project. Both agreements are with unrelated parties.

In the year ended December 31, 2022, the Company acquired by application three additional claims in the Antioquia region of Colombia.

QUIMBAYA GOLD INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

3. EXPLORATION AND EVALUATION ASSETS (cont'd...)**Tahami and Maitamac Projects, Colombia**

On December 21, 2023, the Company acquired all the issued and outstanding shares of Explogold, Minera Buey and Nordeste (collectively, the "Companies") by way of share purchase agreements from Remandes Corporation S.A. ("Remandes") (the "Transaction").

Pursuant to the Transaction, the Company acquired the Tahami and Maitamac Projects in Colombia held by the Companies:

- The Tahami Project consists of two titles covering approximately 622 hectares and is located 158 kilometers northeast of Medellin in the Segovia-Remedios mining district of Antioquia. A portion of the purchase price will be held back pending the successful transfer of certain mining applications covering a total aggregate area of approximately 2,494.4 hectares.
- The Maitamac Project consists of 6 mining applications covering approximately 26,102 Ha and is located 45 km southwest of Medellín in the Abejorral and Sonson municipalities.

The Transaction was executed as three (3) separate share purchase agreements among the Company, Remandes and each of the Companies. The purchase price payable by the Company for all of the issued and outstanding shares of the Companies (the "Purchase Price") was satisfied by:

- the payment to Remandes of a deposit in the amount of US\$100,000 (paid - \$136,012); and
- the issuance of 10,000,000 shares in the share capital of the Company to Remandes (the "Consideration Shares"). The Consideration Shares are subject to a 24-month contractual escrow arrangement.

The Transaction was a related party transaction as Alexandre P. Boivin, President and CEO of Quimbaya, is a control person of Remandes.

This transaction has been accounted for as an acquisition of net assets, rather than a business combination, as the net assets acquired did not represent a separate business operation. The Company applied IFRS 2 Share-based Payments in accounting for and assessing the transaction. The following tables summarize the fair value of the total consideration paid and the aggregate fair value of the identified assets acquired, and liabilities assumed:

Purchase price	Explogold	Minera Buey	Nordeste	Total
Consideration Shares	\$ 190,000	\$ 190,000	\$ 3,420,000	\$ 3,800,000
Cash payments	-	-	136,012	136,012
Acquisition costs	<u>1,852</u>	<u>1,852</u>	<u>33,327</u>	<u>37,031</u>
	\$ 191,852	\$ 191,852	\$ 3,589,339	\$ 3,973,043

Net assets acquired	Explogold	Minera Buey	Nordeste	Total
Accounts receivable	\$ 169	\$ 1,704	\$ 2,657	\$ 4,530
Exploration and evaluation assets	192,177	190,526	3,834,628	4,217,331
Accounts payable	(291)	(175)	(318)	(784)
Funding from the Company prior to acquisition	<u>(203)</u>	<u>(203)</u>	<u>(247,628)</u>	<u>(248,034)</u>
	\$ 191,852	\$ 191,852	\$ 3,589,339	\$ 3,973,043

QUIMBAYA GOLD INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

3. EXPLORATION AND EVALUATION ASSETS (cont'd...)

In the six months ended June 30, 2024, the Company entered into two agreements to acquire additional claims in the Tahami Project:

The Company acquired one concession for total consideration of US\$205,000 of which the Company has paid US\$125,000 and will pay the balance of US\$80,000 by May 17, 2025.

The Company acquired four concessions for total consideration of US\$400,000 of which the Company has paid US\$100,000 and issued 274,000 common shares valued at US\$100,000 (\$137,000). The Company will pay US\$100,000 on or before the six month anniversary (November 8, 2024) and the balance of US\$100,000 on or before the first anniversary of the purchase agreement (May 10, 2025).

Total property purchase obligations as at June 30, 2024 was \$383,236 (US\$280,000).

Exploration and evaluation assets

The Company's exploration and evaluation assets are summarized as follows:

	Berio Project	Tahami Project	Maitamac Project	Total
Balance, December 31, 2022	\$ 185,579	\$ -	\$ -	\$ 185,579
Acquired	-	3,834,628	382,703	4,217,331
Balance, December 31, 2023	\$ 185,579	\$ 3,834,628	\$ 382,703	\$ 4,402,910
Acquired	-	837,405	-	837,405
Foreign exchange translation	-	(11,890)	-	(11,890)
Balance, June 30, 2024	\$ 185,579	\$ 4,660,143	\$ 382,703	\$ 5,228,425

Exploration Expenditures

The Company expended the following exploration and evaluation expenditures on the Tahami Project:

For the six months ended June 30, 2024	Berio Project	Tahami Project	Total
Consulting	\$ -	\$ 67,295	\$ 67,295
Field expenditures	74	8,565	8,639
Geological	-	159,822	159,822
Labour	-	134,274	134,274
Materials	-	18,487	18,487
Shipping	-	8,892	8,892
Travel	-	39,925	39,925
Total expenditures for the period	\$ 74	\$ 437,260	\$ 437,334

QUIMBAYA GOLD INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

3. EXPLORATION AND EVALUATION ASSETS (cont'd...)**Exploration Expenditures (cont'd...)**

For the six months ended June 30, 2023	Berrio Project	Tahami Project	Total
Community relations	\$ 2,716	\$ -	\$ 2,716
Consulting	22,138		22,138
Geological	8,105		8,105
Travel	<u>(1,012)</u>	<u>-</u>	<u>(1,012)</u>
Total expenditures for the period	\$ 31,947	\$ -	\$ 31,947

Property investigation costs incurred in the year ended December 31, 2023 relate to expenditures incurred with respect to the Tahami and Maitamac Projects and prospect generation in Colombia before the acquisition of the Companies.

4. LOANS PAYABLE

In the year ended December 31, 2023, the Company borrowed \$40,000 from the CFO of the Company which is due on demand and accrues interest at a rate of 12% per annum.

In the period ended June 30, 2024, the Company borrowed:

- a) \$25,000 from the CFO of the Company, accruing interest at a rate of 12% per annum and maturing on December 31, 2024.
- b) \$140,000 from an unrelated party, accruing interest at a rate of 12% per annum and maturing on April 30, 2024. In the six months ended June 30, 2024, the Company settled the balance of \$145,168 with the issuance of common shares units (Note 6).
- c) \$102,435 from the CEO of the Company, accruing interest at a rate of 12% per annum and maturing on December 31, 2024. In the six months ended June 30, 2024, the Company settled a portion of the loan being \$91,319 with the issuance of common shares units (Note 6).
- d) \$27,000 from a director of the Company, accruing interest at a rate of 12% per annum and maturing on December 31, 2024. The Company settled half the outstanding balance being \$13,868 with the issuance of common share units (Note 6).

The loans are unsecured.

A summary of the movements of the loans payable is as follows:

Loans payable	June 30, 2024	December 31, 2023
Balance, beginning of the period	\$ 40,309	\$ -
Interest accrued	12,106	309
Funds repaid	(10,317)	-
Loans settled with common share units (Note 6)	(250,356)	-
Funds received as loans	<u>304,435</u>	<u>40,000</u>
Balance, end of period	\$ 96,177	\$ 40,309

QUIMBAYA GOLD INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

5. CONVERTIBLE DEBENTURES

In the year ended December 31, 2023, the Company entered into a convertible loan facility for total proceeds of \$280,000 with a director of the Company (“Loan Facility”). The convertible loans accrued interest at a rate of 10% per annum and were convertible into common shares, along with accrued interest, at the option of the holder at a conversion price of \$0.50 per common share. The Company received funds of \$135,000 on May 11, 2023, and a further \$145,000 on June 9, 2023. The convertible loans mature two years from the date of issuance.

After valuing the financial liability component of the convertible debentures, a residual value was assigned to the conversion feature. The Company considered the market interest rate for comparable entities and instruments in the market. The Company has estimated that comparable instruments would bear an interest rate of 18%.

The Company issued 1,300,000 bonus warrants to the lender exercisable at a price of \$0.50 per common share of the Company for a period of two years. These bonus warrants had a fair value of \$157,168 calculated using the Black-Scholes option pricing model, with weighted average inputs of a risk-free interest rate of 0.51%, expected life of 2 years, dividend of 0% and volatility of 135%. The value of the bonus warrants is accreted over the term of the convertible loans.

In September 2023, the Company repaid \$150,000 to the lender against principal of the convertible loans. On November 28, 2023, the lender and Company agreed to the cancellation of the bonus warrants from which point the amounts accrue interest at a rate of 12% of annum.

In December 2023, the Company borrowed an additional \$100,000 accruing interest at a rate of 12%. All balances mature two years from the date of the first issuance under the facility on May 9, 2025.

In the six months ended June 30, 2024, the Company issued 273,574 common share units in settlement of \$115,000 in principal and \$13,215 of accrued interest. A loss on settlement of \$16,801 was recognized.

A summary of the movements of the convertible debentures is as follows:

Convertible debentures	June 30, 2024	December 31, 2023
Balance, beginning of period	\$ 208,381	\$ -
Funds received as convertible loans	-	380,000
Equity feature	-	(17,144)
Transaction costs and bonus warrants	-	(15,725)
Cancellation of bonus warrants	-	15,725
Repayments	-	(150,000)
Accretion expense	4,878	33,366
Interest accrued	12,075	14,285
Settled with the issuance of common share units (Note 6)	(111,414)	-
Modification of instrument	-	(52,126)
	\$ 113,920	\$ 208,381
Balance, end of period	\$ 113,920	\$ 208,381
Non-current	\$ 113,920	\$ 208,381

QUIMBAYA GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

6. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

Six months ended June 30, 2024

In the six months ended June 30, 2024, the Company:

- a) issued 7,785 common shares at a price of \$0.44 per common share valued at \$3,425 in settlement of services rendered.
- b) issued 1,057,140 common share units consisting of one common share and one-half common share purchase warrant to settle liabilities totalling \$528,570. Each whole unit warrant is exercisable for a period of one year at an exercise price of \$0.75. Amounts settled included \$150,000 in accounts payable, \$250,355 of loan principal and accrued interest (Note 4) and \$128,215 of convertible debentures (Note 5).
- c) issued 1,425,000 common share units consisting of one common share and one-half common share purchase warrant at a price of \$0.50 per unit for gross proceeds of \$712,500. Each whole unit warrant is exercisable for a period of one year at an exercise price of \$0.75.
- d) issued 274,000 common shares valued at \$0.50 pursuant to the acquisition of mineral property concessions (Note 3).

Year ended December 31, 2023

In the year ended December 31, 2023, the Company:

- a) Issued 5,864 common shares at a price of \$0.55 per common share valued at \$3,225 in settlement of services rendered.
- b) Issued 31,250 common shares at a price of \$0.48 per common share valued at \$15,000 in settlement of services rendered.
- c) Issued 2,261,782 common shares at a price of \$0.45 per common share for aggregate proceeds of \$1,017,802.
- d) Issued 257,145 common shares for the exercise of stock options for aggregate proceeds of \$90,000. The Company reallocated reserves of \$31,004 to share capital.
- e) Issued 10,000,000 common shares as consideration for the Companies (Note 3).

QUIMBAYA GOLD INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

7. RESERVES*Securities Based Compensation Arrangements*

The Company has a stock option plan (“Option Plan”) and a restricted share unit plan (“RSU Plan”) in place that allows for aggregate issuances which do not exceed 10% of the issued and outstanding common shares at each date of grant.

Stock Options

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2022	1,400,000	\$	0.35
Granted	50,000		0.35
Exercise	(257,145)		0.35
Expired	<u>(1,042,855)</u>		0.35
Balance outstanding, December 31, 2023	150,000	\$	0.35
Expired	<u>(100,000)</u>		0.35
Balance outstanding, June 30, 2024	50,000	\$	0.35
Balance exercisable, June 30, 2024	50,000	\$	0.35

Stock options outstanding as at June 30, 2024:

	Number outstanding	Number exercisable	Exercise price	Expiry date
Options	50,000	50,000	\$ 0.35	May 24, 2025

As at June 30, 2024, the outstanding stock options had a weighted average remaining life of 0.90 (December 31, 2023 – 0.57) years.

Restricted Share Units

The Company has a balance outstanding and vested RSUs of 214,285 with a weighted average fair value of per share at grant date of \$0.35 for the periods ended December 31, 2022, 2023, and June 30, 2024.

Share-based payments

During the period ended June 30, 2023, the Company granted 50,000 stock options with a weighted average fair value of \$0.19 per option. The Company recognized share-based payments expense of \$9,410 for options granted and vesting during the period ended June 30, 2023.

Share-based payments expense with respect to stock options is estimated using the following assumptions: The expected volatility assumption was determined through the comparison of historical share price volatilities used by similar publicly listed companies. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options’ expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has not paid and does not anticipate paying dividends on its common shares.

QUIMBAYA GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

7. RESERVES (cont'd...)

Share-based payments (cont'd...)

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options vesting during the period:

	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Share price	- \$	0.35
Risk-free interest rate	-	4.23%
Expected life of options	-	2 years
Expected annualized volatility	-	99%
Dividend rate	-	0%
Forfeiture rate	-	-

Warrants

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2022	42,440	\$ 0.35
Granted	84,000	0.60
Cancelled	<u>(84,000)</u>	0.60
Balance outstanding, December 31, 2023	42,440	\$ 0.35
Granted	<u>1,241,070</u>	0.75
Balance outstanding, June 30, 2024	1,283,510	\$ 0.74
Balance exercisable, June 30, 2024	1,283,510	\$ 0.74

Warrants outstanding as at June 30, 2024:

	Number outstanding	Number exercisable	Exercise price	Expiry date
Warrants	42,440	42,440	\$ 0.35 ⁽¹⁾	August 11, 2024
	<u>1,241,070</u>	<u>1,241,070</u>	0.75	June 5, 2025
	1,283,510	1,283,510		

⁽¹⁾ Exercised subsequent to June 30, 2024.

As at June 30, 2024, the outstanding warrants had a weighted average remaining life of 0.90 (December 31, 2023 – 0.61) years.

QUIMBAYA GOLD INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

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FOR THE SIX MONTHS ENDED JUNE 30, 2024

8. RELATED PARTY TRANSACTIONS

Key management personnel include the President, Chief Financial Officer, and Directors of the Company. The remuneration of the key management personnel is as follows:

Payments to key management personnel	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Consulting fees	\$ 130,000	\$ 60,000
Director's fees	-	5,000
Accounting fees	30,000	18,000

In the year ended December 31, 2022, the Company extended loans totaling \$65,262 to Combia Gold Inc. ("Combia"), a company with a director in common. All loans to Combia bear interest at a rate of 15% per annum. The loans are unsecured and repayable on or before September 15, 2023, along with accrued interest. The loan agreement was structured to allow the Company to automatically receive a number of common shares of Combia equal to a 33% discount on the price per share of the last issuance of more than \$25,000 in the event of non-payment.

However, this conversion was prevented due to the intervention of the arbitration court in the settlement of Combia's financial matters. As at December 31, 2023, the total loan principal outstanding was \$87,262 and total interest accrued on these loans was \$21,228; however, the Company had been notified that Combia commenced bankruptcy proceedings and impaired the receivable by \$11,763 to reflect its estimated carrying amount.

In the six months ended June 30, 2024, the Company received proceeds of \$103,062 in settlement of the instrument. Accordingly, the Company recognized a recovery of impairment of \$3,062.

The Transaction as detailed in Note 3 is a related party transaction. Certain loans payable detailed in Note 4 are due to directors and officers of the Company. The convertible debentures are due to a director of the company (Note 5). In the six months ended June 30, 2024, the Company settled \$150,000 of accounts payable, \$250,355 of loans payable and \$136,787 of convertible debentures with related parties with common share units (Note 6).

As at June 30, 2024, accounts payable and accrued liabilities of \$32,703 (December 31, 2023 - \$Nil) was due to related parties.

9. FINANCE EXPENSE

	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Accretion of equity feature (Note 5)	\$ 4,878	\$ 2,397
Coupon Interest on Convertible Debt (Note 5)	12,075	2,683
Coupon Interest on Loans (Note 4)	12,106	-
Total expense for the period	\$ 29,059	\$ 5,080

QUIMBAYA GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cash, accounts receivables, loan receivable, accounts payable and loans payable are carried at amortized cost. The Company considers that the carrying amount of cash, accounts receivable and accounts payable measured at amortized cost to approximate their fair value due to the short-term nature of the financial instruments. The fair value of the loans payable and accrued interest are disclosed in Note 4. The undiscounted value of the convertible debentures (Note 5) as at June 30, 2024 was \$129,940.

Financial risk factors

Credit risk

The Company is exposed to credit risk relative to the liquidity of cash, amounting to \$9,412 at June 30, 2024 (December 31, 2023 – \$20,656). As the Company's policy is to limit cash holdings to instruments issued by major Canadian banks, the credit risk is considered by management to be negligible. As at June 30, 2024, the Company had an immaterial amount of cash balances in Colombia.

The Company is exposed to credit risk with respect to the loan receivable. The Company believes the carrying amount of loan is recoverable as the debtor is in bankruptcy proceedings.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. As at June 30, 2024, the Company had a working capital deficit of \$892,828 (December 31, 2023 – \$10,834). The Company's financial obligations include accounts payable and loans payable, which have contractual maturities of less than a year and the non-current convertible debentures which mature in fiscal 2025.

Interest rate risk

The Company's financial asset exposed to interest rate risk consists of cash. At June 30, 2024, the Company maintained all of its cash balance on deposit with a major Canadian bank with no expectation of interest rate returns or impact. Interest-bearing debts are at fixed rates with the financial impact known at the time of execution.

Foreign currency risk

The Company operates in Colombia and is therefore exposed to foreign exchange risk arising from transactions denominated in the Colombian peso ("COP\$"). The Company's financial assets and liabilities are held in COP\$ and are therefore subject to fluctuation against the Canadian dollar, its reporting currency. The Company has no program in place for hedging foreign currency risk.

11. CAPITAL MANAGEMENT

The Company's capital management objective is to maintain financial capacity that is strong to sustain the future development of the business.

The Company's capital structure includes shareholders' equity of \$4,335,597 (December 31, 2023 – \$4,283,695). The Company manages its capital structure to maximize its financial flexibility to adjust to changes in economic conditions. The Company is not subject to externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the period ended June 30, 2024.