Eloro Resources Ltd.

Condensed Interim Consolidated Financial Statements

December 31, 2022

(expressed in Canadian dollars)

(unaudited)

Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

These unaudited condensed interim consolidated financial statements of Eloro Resources Ltd. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited condensed interim consolidated financial statements have not been reviewed by the Company's external auditors.

Eloro Resources Ltd.
Consolidated Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Notes	As at December 31, 2022 $	As at March 31, 2022 $
Assets			
Current			
Cash and cash equivalents		2,718,405	9,437,277
Receivables		308,074	316,437
Marketable securities		25,300	17,250
Prepaid expenses		616,278	524,725
		3,668,055	10,295,689
Right-of-use asset	3	177,399	210,663
Option payment advance	4	635,660	250,880
Exploration and evaluation	5 and 14	43,913,779	27,138,256
		48,394,893	37,895,488
Liabilities			
Current			
Accounts payable and accrued liabilities		1,259,669	1,021,318
Current portion of lease liability	6	41,882	39,686
		1,301,551	1,061,004
Lease liabiity	6	144,943	176,588
		1,446,494	1,237,592
Shareholders' equity			
Share capital	7	69,937,078	57,613,920
Warrants	7	9,387,328	8,889,045
Contributed surplus	7	13,822,396	10,502,025
Foreign currency reserve		166,388	146,713
Deficit		(46,364,790)	(40,493,806)
		46,948,400	36,657,897
		48,394,893	37,895,488
Commitments and contingencies	12		
Subsequent events	14		

Approved by the Board: Thomas Larsen, **Director**; Francis Sauve, **Director**

See accompanying notes to consolidated financial statements

Eloro Resources Ltd.
Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)
(unaudited)

	Notes	3 months ended December 31, 2022	3 months ended December 31, 2021	9 months ended December 31, 2022	9 months ended December 31, 2021
		$	$	$	$
Expenses					
Professional fees		132,833	116,047	297,398	265,849
Consulting fees	11	127,500	81,000	372,650	243,000
Financing bonus	11	-	-	150,000	-
Stock-based compensation	7	411,000	-	3,495,118	-
Investor relations and marketing	11	464,329	280,082	1,091,211	609,872
General and office		104,765	57,921	361,670	228,701
Travel		63,626	84,189	157,437	95,897
Depreciation	3	11,088	10,658	33,264	31,976
Accretion of interest	6	2,903	62	9,148	800
Foreign exchange loss (gain)		146,555	13,802	170,112	(20,861)
Unrealized loss (gain) on marketable securities		(4,600)	8,100	(8,050)	15,850
Impairment of exploration and evaluation	5	340	5,928	9,828	5,928
Refundable tax credit notices of assessment	8	-	15,000	(142,806)	45,000
Other income		(114,696)	(41,968)	(125,996)	(70,292)
		1,345,642	630,821	5,870,984	1,451,720
Loss for the period		(1,345,642)	(630,821)	(5,870,984)	(1,451,720)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent years (net of tax)					
Currency translation adjustment		62,830	(16,919)	19,675	3,525
Comprehensive loss for the period		(1,282,812)	(647,740)	(5,851,309)	(1,448,195)
Loss per share - basic and diluted		(0.02)	(0.01)	(0.09)	(0.02)
Weighted average number of shares outstanding - basic and diluted		69,984,551	62,110,707	68,511,987	61,638,708

See accompanying notes to consolidated financial statements

Eloro Resources Ltd.
Consolidated Statements of Changes in Equity
(expressed in Canadian dollars)
(unaudited)

	Share capital $ (note 7)	Warrants $ (note 7)	Contributed surplus $ (note 7)	Foreign currency reserve $	Deficit $	Total $
Balance, March 31, 2022	57,613,920	8,889,045	10,502,025	146,713	(40,493,806)	36,657,897
Bought deal financing	9,775,057	-	-	-	-	9,775,057
Fair value of warrants issued	(1,907,000)	1,907,000	-	-	-	-
Fair value of compensation warrants issued	(287,000)	287,000	-	-	-	-
Exercise of warrants	3,574,946	-	-	-	-	3,574,946
Fair value of exercised warrants	1,695,717	(1,695,717)	-	-	-	-
Exercise of stock options	257,500	-	-	-	-	257,500
Fair value of exercised stock options	174,747	-	(174,747)	-	-	-
Share issue costs	(960,809)	-	-	-	-	(960,809)
Stock-based compensation	-	-	3,495,118	-	-	3,495,118
Other comprehensive income for the period	-	-	-	19,675	-	19,675
Loss for the period	-	-	-	-	(5,870,984)	(5,870,984)
Balance, December 31, 2022	69,937,078	9,387,328	13,822,396	166,388	(46,364,791)	46,948,399
Balance, March 31, 2020	53,904,648	9,279,680	6,320,536	82,892	(33,387,782)	36,199,973
Exercise of warrants	1,026,168	-	-	-	-	1,026,168
Fair value of exercised warrants	269,142	(269,142)	-	-	-	-
Exercise of stock options	175,000	-	-	-	-	175,000
Fair value of exercised stock options	121,747	-	(121,747)	-	-	-
Share issue costs	(2,537)	-	-	-	-	(2,537)
Other comprehensive loss for the period	-	-	-	3,525	-	3,525
Loss for the period	-	-	-	-	(1,451,720)	(1,451,720)
Balance, December 31, 2021	55,494,168	9,010,538	6,198,789	86,417	(34,839,502)	35,950,410

See accompanying notes to consolidated financial statements

Eloro Resources Ltd.
Consolidated Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	9 months ended December 31, 2022 $	2021 $
Cash provided by (used in)		
Operating activities		
Loss for the period	(5,870,983)	(1,451,720)
Items not affecting cash		
Depreciation	33,263	31,976
Accretion of interest	9,148	-
Stock-based compensation	3,495,118	-
Unrealized (gain) loss on marketable securities	(8,050)	15,850
Impairment of exploration and evaluation	9,828	5,928
Changes in non-cash operating working capital		
Receivables	8,364	(73,387)
Prepaid expenses	(91,552)	(203,104)
Accounts payable and accrued liabilities	238,350	(813,683)
	(2,176,514)	(2,488,140)
Financing activities		
Repayment of lease liabilities	(38,597)	(33,967)
Bought deal financing	9,775,057	-
Share issue costs	(960,809)	(2,537)
Exercise of warrants	3,574,946	1,026,168
Exercise of stock options	257,500	175,000
	12,608,097	1,164,664
Investing activities		
Option payment advance	(384,780)	(250,880)
Exploration and evaluation	(16,785,350)	(13,615,856)
	(17,170,130)	(13,866,736)
Net increase in cash and cash equivalents	(6,738,547)	(15,190,212)
Cash and cash equivalents, beginning of period	9,437,277	28,266,056
Currency translation adjustment	19,675	3,525
Cash and cash equivalents, end of period	2,718,405	13,079,369

See accompanying notes to consolidated financial statements

(expressed in Canadian dollars)

1. Nature of operations

Eloro Resources Ltd. (the "Company") is a public company engaged in the exploration and development of a gold-silver property in Peru, a polymetallic property in Bolivia and base metal properties in Québec.

The Company was incorporated under the Business Corporations Act of Ontario on April 11, 1985 and its registered office is located at 20 Adelaide Street East, Suite 200, Toronto, Ontario, M5C 2T6.

2. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2022.

These condensed interim consolidated financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended March 31, 2022.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on March 1, 2023.

3. Right-of-use asset

	$
Right-of-use asset, March 31, 2022 and December 31, 2022	221,751
Accumulated depreciation, March 31, 2022	11,088
Depreciation	33,264
Accumulated depreciation, December 31, 2022	44,352
Balance, December 31, 2022	177,399

4. Option payment advance

On July 29, 2020, the Company granted a 2% interest in its wholly-owned Bolivian subsidiary, Minera Tupiza S.R.L. ("Minera Tupiza") to an officer of Minera Tupiza. The Company has an option to increase its interest in Minera Tupiza to 99% by purchasing a 1% interest from the officer for US$3,000,000. At December 31, 2022, the Company has made installment payments of US$500,000 (March 31, 2022 - US$200,000) on account of the option.

5. Exploration and evaluation

	March 31, 2022 $	Acquisition cost $	Exploration $	Impairment $	December 31, 2022 $
Property					
La Victoria	6,142,164	–	252,492	–	6,394,656
Iska Iska	20,996,092	1,855,820	14,667,211	–	37,519,123
Other	–	–	9,828	(9,828)	–
	27,138,256	1,855,820	14,929,531	(9,828)	43,913,779

La Victoria, Peru
The Company owns an 82% interest in La Victoria (March 31, 2022 - 82%), a gold-silver property covering 8,933 hectares, consisting of 9 concessions covering 3,533 hectares (Ccori Orcco 1, Roberto N°1, Rufina, Rufina N° 2, San Felipe 1, San Felipe 2, San Markito, Santa Ana 1 and Victoria-APB) and 7 claims covering 5,400 hectares (Romina 01, 02, 03, 04, 05, 06 and 07) in the Huandoval District, Pallasca Province, Ancash Department, in the North-Central Mineral Belt of Peru.

Burgundy Diamond Mines Limited ("BDM") owns an 18% interest in La Victoria and had an option to increase its interest to 25% ("Option"). In August 2021, BDM decided to maintain its interest at 18% and not to increase its interest to 25%, at which time, the Option expired and a joint venture, with the Company as operator, was formed to continue to explore and develop La Victoria.

If the Company or BDM does not fund its proportionate share of expenditures, its respective interest will be diluted and when its interest is diluted to less than 10%, the party's interest shall be reduced to a 2% net smelter royalty on all production. The other party will have the option to reduce the royalty from 2% to 1% by making a payment of $3,000,000.

If either the Company or BDM acquires an interest in any property within 5 kilometres of La Victoria, the acquirer must offer the other party the opportunity to participate in the acquisition up to its participating interest.

In the event the Company or BDM proposes to sell any interest in La Victoria to a third party, the other party has a right of first refusal to match the terms and conditions of the proposed sale. In the event that the Company proposes to sell a majority of its interest in La Victoria to a third party, the Company must first consult with BDM about the identity of the third party and the proposed terms of sale and if the Company proceeds with the sale, BDM will be obliged to sell its interest to the third party on a pro rata basis in accordance with the terms of the sale to the third party.

La Victoria is subject to a 2% net smelter royalty ("NSR"). The Company has the option to reduce the NSR to 1% by making a payment of $3,000,000.

Iska Iska
The Company owns a 98% interest in Minera Tupiza which has an option to acquire a 100% interest in Iska Iska, a polymetallic property consisting of one mineral concession totaling 900 hectares located in Bolivia. The Company also has a option to increase its interest in Minera Tupiza to 99% (see note 4, *Option payment advance*). On October 14, 2020, the Company staked 9 additional properties covering 31,175 hectares.

In order to acquire its interest in Iska Iska, the Company will conduct an exploration and development ending July 6, 2024, issue common shares and make an option payment, as follows:

	Common shares		**Option payment**
	Number	**$**	**US$**
February 5, 2020 (issued)	250,000	100,000	–
January 6, 2022 (Issued)	250,000	250,000	–
July 6, 2024 (extended from January 6, 2024) (US$4,400,000 paid)	–	–	10,000,000
	500,000	350,000	10,000,000

At December 31, 2022, the Company has made instalment payments of US$4,400,000 (March 31, 2022 - US$3,000,000) on account of the Iska Iska option payment.

On November 22, 2022, Minera Tupiza entered into an option agreement (the "Option Agreement") to acquire the Mina Casiterita and Mina Hoyada properties, which collectively cover 14.75 km^2 southwest and west of Iska Iska, subject to finalizing the granting of the mining rights process. Under the Option Agreement, the capital quotas of the titleholder will be transferred to Minera Tupiza in exchange for the issue of 200,000 common shares of the Company.

The transaction is subject to the completion of the terms outlined in the Option Agreement, together with the receipt of all required regulatory approvals in connection with the issuance of common shares of the Company.

The Company has also staked additional claims in the Iska Iska region. Collectively, the land package to be controlled by the Company following the acquisition will total 1,935 quadrants covering 483.75 km^2. This includes the Tomave, Khuchu Ingenio and Puna properties, located further north towards Potosi.

Letter of intent agreement – Empressa Minera Villegas S.R.L.
On November 9, 2022, the Company, through its Bolivian subsidiary, Minera Tupiza S.R.L. ("Minera Tupiza"), entered into a letter of intent agreement ("LOI Agreement") with Empressa Minera Villegas S.R.L. ("Minera Villegas"), Iska Iska's title holders, whereby Minera Tupiza was granted the right to acquire 100% of the capital quotas held by the owners of Minera Villegas, prior to, or concurrent with the final payment for the Iska Iska option (see Iska Iska section below), due on or before July 6, 2024. Pursuant to the LOI Agreement, the valuation price for the additional assets of Minera Villegas, distinct from the Iska Iska project, will be delivered to Minera Tupiza before July 6, 2023, whereby Minera Tupiza may accept the valuation or enter into a negotiation period for three months, until October 6, 2023 (the "Negotiation Period"). If during the Negotiation Period, an agreement for the definitive price for the additional assets is not reached, the parties agree to request that a third party provide an independent valuation. When a definitive price for the additional assets is agreed upon by both parties, a definitive agreement will be executed to formalize their sale, to coincide with the Iska Iska earn-in and transfer of the capital quotas of Minera Villegas to Minera Tupiza.

6. Lease liabilities

	$
Balance, March 31, 2022	216,274
Accretion of interest	9,148
Lease payments	(38,597)
Balance, December 31, 2022	186,825
Current portion of lease liabilities	41,882
Long-term lease liabilities	144,943
	186,825

The lease for premises is a joint and several commitment with Cartier Silver Corporation, a company which owns 2,197,916 common shares of the Company on December 31, 2022 and has three directors who are also directors of the Company.

The remaining lease term is 4 years.

7. Share capital

Authorized
An unlimited number of common shares without par value.
An unlimited number of redeemable, voting, non-participating special shares without par value.

Outstanding

	Number of common shares	Amount $
Balance, March 31, 2022	63,805,807	57,613,920
Bought deal financing	3,007,710	9,775,057
Fair value of warrants issued		
Unit	–	(1,907,000)
Compensation	–	(287,000)
Share issue costs	–	(960,809)
Exercise of warrants	3,568,317	3,574,946
Fair value of exercised warrants	–	1,695,717
Exercise of stock options	465,000	257,500
Fair value of exercised stock options	–	174,747
Balance, December 31, 2022	70,846,834	69,937,078

Bought deal financing
On May 19, 2022, the Company completed a bought deal financing of 3,007,710 units of at a price of $3.25 per unit for gross proceeds of $9,775,057. Each unit consisted of one common share one-half of one warrant, with each of the 1,503,855 whole warrants entitling the holder to purchase one common share for $4.75 until May 19, 2024. In connection with the financing, the Company paid a cash commission of $586,503 (representing 6% of the gross proceeds of the financing), issued 180,462 compensation warrants (representing 6% of the number of units issued pursuant to the financing) entitling the holder to purchase one common share for $3.25 until May 19, 2024.

The fair value of the unit warrants and compensation warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

	Unit warrants	Compensation warrants
Issue date	May 19, 2022	May 19, 2022
Expiry date	May 19, 2024	May 19, 2024
Warrants issued	1,503,855	180,462
Exercise price	$4.75	$3.25
Share price	$3.25	$3.25
Risk-free interest rate	2.7%	2.7%
Expected volatility based on historical volatility	90%	90%
Expected life of warrants	2 years	2 years
Expected dividend yield	0%	0%
Fair value	$1,907,000	$287,000
Fair value per warrant	$1.27	$1.59

See note 14, *Subsequent events, Bought deal financing*.

Warrants

A summary of the Company's common share warrants outstanding at December 31, 2022 is presented below:

	Weighted-average exercise price $	Number of warrants
Balance, March 31, 2022	3.07	7,464,441
Issued	4.59	1,684,317
Exercised	1.00	(3,568,317)
Balance, December 31, 2022	4.85	5,580,441

A summary of the Company's common share warrants outstanding at December 31, 2022 is presented below:

Exercise price	Expiry date	Number of warrants
$2.00	January 5, 2023	161,000
$1.55	January 5, 2023	2,149
$5.25	March 26, 2023	3,335,000
$3.75	March 26, 2023	397,975
$4.75	May 19, 2024	1,503,855
$3.25	May 19, 2024	180,462
		5,580,441

Long-term Incentive Plan

The shareholders of the Company approved a new Long-term Incentive Plan (the "Plan") at an annual and special meeting held on September 27, 2022. The Plan received TSX Venture Exchange approval on October 31, 2022. With the implementation of the Plan, all previously issued stock options and restricted share unit awards, which were granted pursuant to the Company's stock option plan and Restricted Share Unit Plan respectively, will be governed by the Plan. The Plan permits the Board to make awards of stock options, restricted share units, performance share units and deferred share units. The maximum number of common shares for issuance under the Plan for stock options will not exceed 10% of the Company's then issued and outstanding shares. The maximum number of common shares for issuance under the Plan for all other awards other than stock options will not exceed 10% of the Company's issued and outstanding shares at the time of shareholder approval of the Plan.

Stock options

The number of the common shares subject to each stock option grant, exercise price, vesting, expiry date and other terms and conditions are determined by the Board. The exercise price shall in no event be lower than the market price of the common shares on the grant date. Stock options shall be for a fixed term, not exceeding five years and unless otherwise specified, each stock option shall vest as to one third on each of the first through third anniversaries of the grant date

Authorized

7,084,683 stock options

Outstanding
A summary of the Company's stock options outstanding and exercisable at December 31, 2022 is presented below:

	Weighted-average exercise price $	**Number of stock options outstanding and exercisable**
Balance, March 31, 2022	2.57	5,015,000
Granted	3.68	1,000,000
Exercised	0.55	(465,000)
Balance, December 31, 2022	2.94	5,550,000

The common share price when the stock options were exercised was in the range of $3.84 - $4.71.

A summary of the Company's stock options outstanding at December 31, 2022 is presented below:

Exercise price	**Expiry date**	**Number of stock options outstanding and exercisable**
$0.70	June 12, 2023	35,000
$0.40	February 18, 2025	1,305,000
$0.60	June 9, 2025	655,000
$4.45	February 1, 2026	1,030,000
$4.65	March 3, 2027	1,525,000
$3.42	May 30, 2027	100,000
$3.59	June 6, 2027	750,000
$4.32	August 3, 2027	150,000
		5,550,000

Grant of stock options
A summary of the stock options granted and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model is presented below:

Date of grant	May 30, 2022	June 6, 2022	August 3, 2022
Expiry date	May 30, 2027	June 6, 2027	August 3, 2027
Stock options granted	100,000	750,000	150,000
Exercise price	$3.42	$3.59	$4.32
Share price	$3.42	$3.59	$4.32
Risk-free interest rate	2.66%	3.09%	2.85%
Expected volatility based on historical volatility	86%	74%	87%
Expected life of stock options	5 years	5 years	5 years
Expected dividend yield	0%	0%	0%
Forfeiture rate	0%	0%	0%
Vesting	On date of grant	On date of grant	On date of grant
Fair value	$234,000	$1,853,000	$449,000
Fair value per stock option	$2.34	$2.47	$2.99

See note 14, *Subsequent events, Grant of stock options and restricted share units*.

Restricted share units, deferred share units and performance share units

Authorized
The Company may grant an aggregate total of 6,987,897 in restricted share units, deferred share units and performance share units, which represents 10% of the issued and outstanding common shares as at September 27, 2022, the date the shareholders of the Company approved the Plan.

Outstanding
A summary of the number of the Company's restricted share units outstanding at December 31, 2022 is presented below:

	Vested	**Unvested**	**Total**
Balance, March 31, 2022	–	2,350,000	2,350,000
Granted	–	750,000	750,000
Balance, December 31, 2022	–	3,100,000	3,100,000

There are no deferred share units or performance units outstanding.

Grant of restricted share units
On January 19, 2022, the Company granted 2,350,000 restricted share units to officers and consultants. The restricted share units have a redemption date of December 31, 2025 and vest as follows: (a) one-third on the date of filing of a National Instrument 43-101 ("NI 43-101") compliant technical report in connection with the measurement of at least 300 million tonnes of inferred resources at Iska Iska; (b) one-third on the date of filing of a NI 43-101 compliant technical report in connection with the measurement of at least 500 million tonnes of inferred resources at Iska Iska; and (c) one-third on the date of filing of a NI 43-01 compliant technical report in connection with the completion of a positive prefeasibility study for Iska Iska. The fair value of the restricted share units granted was $7,919,500. No expense has been recognized as of December 31, 2022 due to inability to assess likelihood of vesting.

On June 6, 2022, the Company granted 750,000 restricted share units to a consultant. The restricted share units have a redemption date of June 6, 2025 and vest in 3 annual instalments. The fair value of the restricted share units granted was $2,692,500, which will be expensed over the 3-year vesting period. For the 9 months ended December 31, 2022, stock-based compensation is $959,472.

See note 14, *Subsequent events, Grant of stock options and restricted share units*.

8. Income taxes

Refundable tax credit notices of assessment
On July 26, 2017, the Company received refundable tax credit notices of assessments from Revenu Québec for the repayment of $367,360 ("Notices") for the return of refunds of $280,961, $25,217 and $7,766 received by the Company for the refundable tax credit on eligible exploration expenditures incurred in Québec in respect of 2013, 2014 and 2016, respectively and interest thereon of $53,416.

The Company filed notices of objection with respect to the Notices and pending resolution of the Notices, the Company made payments of $5,000 per month to Revenu Quebéc which were recorded in the consolidated statement of loss and comprehensive loss.

On August 5, 2022, the Company received notices of reassessment from Revenu Québec with respect to the Notices which reduced the amounts required to be repaid to $20,856 and resulted in the Company receiving a refund of $156,747.

9. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Accounts payable and accrued liabilities
The fair value of accounts payable and accrued liabilities approximates its carrying value due to their short term to maturity.

Classification of fair value of financial instruments
The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 - inputs for the asset or liability that are not based on observable market data.

Marketable securities are measured at fair value at Level 1 of the fair value hierarchy.

10. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company’s cash balances. The maximum exposure to credit risk is equal to the balance of cash.

The Company’s limits its exposure to credit risk on its cash by holding its cash in deposits with a Canadian chartered bank.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company’s approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. The amounts for accounts payable and accrued liabilities are subject to normal trade terms.

The Company has no revenues and relies on financing primarily through the issuance of equity to finance its on-going and planned exploration activities and to cover administrative costs.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company’s income or the value of its financial instruments. The Company is exposed to equity price risk with respect to marketable securities. The Company’s approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk. The Company estimates that if the fair value of its marketable securities as at December 31, 2022 had changed by 10%, with all other variables held constant, the unrealized gain (loss) would have decreased or increased by $2,350.

Interest rate risk

The Company’s exposure to interest rate risk is limited due to the short-term nature of its financial instruments and the Company has no interest-bearing debt.

Capital management

Capital of the Company consists of share capital, warrants, contributed surplus, foreign currency reserve and deficit. The Company’s objective when managing capital is to safeguard the Company’s ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company’s principal source of capital is from the issue of common shares. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company’s approach to capital management during the year.

11. Related party transactions

Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	9 months ended December 31, 2022 $	2021 $	Outstanding at December 31, 2022 $	Outstanding at March 31, 2022 $
Exploration and evaluation	140,000	90,000	–	12,636
Consulting fees	327,000	243,000	–	–
Financing bonus	145,000	–	–	–
Investor relations	110,000	72,000	–	12,660
	722,000	405,000	–	25,296

See note 6 for other related party transactions.

12. Commitments and contingencies

Value-added tax

In Peru, the Company has paid a value added tax, *Impuesto General a las Ventas* ("IGV"), on the purchase of goods and services which may be recovered against IGV collected on sales by the Company. The Company has paid IGV of US$451,556, of which, the Company is obligated to pay US$363,429 to BDM upon recovery. The remaining IGV of US$91,470 has been included in exploration and evaluation.

13. Segment information

The Company operates in one reportable segment being mineral exploration.

As the Company is focused on exploration, the Board monitors the Company based on actual versus budgeted exploration expenditure incurred by project. The internal reporting framework is the most relevant to assist the Board with making decisions regarding this Company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

The Company operates in Peru and Bolivia:

Location of non-current assets	**$**
Peru	6,394,656
Bolivia	37,519,123
	43,913,779

14. Subsequent events

Bought deal financing

On January 27, 2023, the Company completed a bought deal financing of 3,466,530 units of at a price of $3.15 per unit for gross proceeds of $10,919,570. Each unit consisted of one common share and one-half of one warrant, with each of the 1,733,265 whole warrants entitling the holder to purchase one common share for $4.75 until January 27, 2025. In connection with the financing, the Company paid a cash commission of $655,174, representing 6% of the gross proceeds of the financing. Two directors subscribed for 46,800 units for gross proceeds of $147,420.

Grant of stock options and restricted share units

On February 2, 2023, the Company granted 250,000 stock options to consultants entitling the holder to purchase one common share for $3.30 until February 2, 2027, and also granted 300,000 restricted share units to officers. The restricted share units have a redemption date of December 31, 2026 and vest as follows: (a) one-third on the date of filing of a National Instrument 43-101 ("NI 43-101") compliant technical report in connection with the measurement of at least 300 million tonnes of inferred resources at Iska Iska; (b) one-third on the date of filing of a NI 43-101 compliant technical report in connection with the measurement of at least 500 million tonnes of inferred resources at Iska Iska; and (c) one-third on the date of filing of a NI 43-01 compliant technical report in connection with the completion of a positive prefeasibility study for Iska Iska.