

# **HALCONES PRECIOUS METALS CORP.**

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## **Annual Consolidated Financial Statements**

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**For the years ended December 31, 2024 and 2023**

**(Expressed in Canadian Dollars)**

## **Independent Auditor's Report**

To the Shareholders of Halcones Precious Metals Corp.

### **Opinion**

We have audited the consolidated financial statements of Halcones Precious Metals Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' (deficiency) equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### **Basis for opinion**

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

### **Material uncertainty related to going concern**

We draw attention to Note 1 in the consolidated financial statements, which indicates that as of December 31, 2024, the Company's current liabilities exceeded its current assets and it has an accumulated deficit. The Company also anticipates a need for financing. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

## **Other information**

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

## **Responsibilities of management and those charged with governance for the consolidated financial statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 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 judgement 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 risks 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.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
April 25, 2025

# Halco Halcones Precious Metals Corp.

## Consolidated Statements of Financial Position

Expressed in Canadian Dollars

| As at:   | Note | December 31,<br>2024 | December 31,<br>2023 |
|--|------|----------------------|----------------------|
| <b>ASSETS</b>  |      |                      |                      |
| Current  |      |                      |                      |
| Cash   |      | \$ 176,243           | \$ 193,957           |
| Amounts receivable   |      | 40,018               | 85,009               |
| Prepaid expenses   |      | 18,734               | 60,113               |
| <b>Total current assets</b>                                    |      | <b>234,995</b>       | <b>339,079</b>       |
| <b>Total assets</b>  |      | <b>\$ 234,995</b>    | <b>\$ 339,079</b>    |
| <b>LIABILITIES</b>   |      |                      |                      |
| Current liabilities  |      |                      |                      |
| Accounts payable and accrued liabilities                       | 9    | \$ 1,417,800         | \$ 1,029,138         |
| Short-term loan  | 9    | 2,170                | -                    |
| <b>Total liabilities</b>                                       |      | <b>1,419,970</b>     | <b>1,029,138</b>     |
| <b>SHAREHOLDERS' (DEFICIENCY) EQUITY</b>                       |      |                      |                      |
| Common shares  | 5    | 10,592,107           | 9,740,718            |
| Warrant reserve  | 6    | 629,377              | 1,303,843            |
| Option reserve   | 6    | 1,108,789            | 1,108,789            |
| Accumulated deficit  |      | (13,515,248)         | (12,843,409)         |
| <b>Total shareholders' (deficiency) equity</b>                 |      | <b>(1,184,975)</b>   | <b>(690,059)</b>     |
| <b>Total liabilities and shareholders' (deficiency) equity</b> |      | <b>\$ 234,995</b>    | <b>\$ 339,079</b>    |
| Nature of operations and going concern                         | 1    |                      |                      |
| Commitments and contingencies                                  | 11   |                      |                      |
| Subsequent events  | 13   |                      |                      |

Approved on behalf of the Board of Directors:

Signed: Lawrence Guy, Director

Signed: Ian Parkinson, Director

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

# Halcoes Precious Metals Corp.

## Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

|   |      | Years ended<br>December 31, |                       |
|---|------|-----------------------------|-----------------------|
|   | Note | 2024                        | 2023                  |
| <b>Expenses</b>   |      |                             |                       |
| Exploration and evaluation expenses                         | 4    | \$ 694,390                  | \$ 3,605,257          |
| Consulting and management fees                              | 9    | 460,258                     | 1,159,682             |
| Professional fees   |      | 123,041                     | 67,021                |
| Shareholder communications                                  |      | 141,349                     | 256,915               |
| Office and general  |      | 63,089                      | 115,266               |
| Share-based compensation                                    | 6    | -                           | 1,108,789             |
| <b>Loss for the period before other items</b>               |      | <b>(1,482,127)</b>          | <b>(6,312,930)</b>    |
| <b>Other items</b>  |      |                             |                       |
| Interest income   |      | 3,858                       | 6,779                 |
| Foreign exchange (loss)                                     |      | (31,136)                    | (30,386)              |
| <b>Net loss and comprehensive loss</b>                      |      | <b>\$ (1,509,405)</b>       | <b>\$ (6,336,537)</b> |
| <b>Basic and diluted loss per share</b>                     |      | <b>(0.01)</b>               | <b>\$ (0.05)</b>      |
| <b>Weighted average number of common shares outstanding</b> |      |                             |                       |
| Basic and diluted   |      | 158,634,244                 | 130,381,954           |

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

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(Expressed in Canadian dollars)

|                                   | Number of<br>shares | Common<br>shares  | Number of<br>warrants | Warrant<br>reserve | Number of<br>options | Option<br>reserve | Deficit             | Shareholders'<br>(deficiency)<br>equity |
|-----------------------------------|---------------------|-------------------|-----------------------|--------------------|----------------------|-------------------|---------------------|---|
|                                   | #                   | \$                | #                     | \$                 | #                    | \$                | \$                  | \$                                      |
| <b>Balance, December 31, 2022</b> | <b>90,057,111</b>   | <b>7,270,125</b>  | <b>8,122,121</b>      | <b>917,717</b>     | <b>235,849</b>       | <b>28,302</b>     | <b>(6,615,325)</b>  | <b>1,600,819</b>                        |
| Private placement unit financing  | 61,162,925          | 3,058,146         | -                     | -                  | -                    | -                 | -                   | 3,058,146                               |
| Warrants on private placement     | -                   | (423,500)         | 30,581,462            | 423,500            | -                    | -                 | -                   | -                                       |
| Broker warrants                   | -                   | (42,777)          | 1,981,000             | 42,777             | -                    | -                 | -                   | -                                       |
| Issue costs                       | -                   | (121,276)         | -                     | -                  | -                    | -                 | -                   | (121,276)                               |
| Option reserve                    | -                   | -                 | -                     | -                  | 14,070,000           | 1,108,789         | -                   | 1,108,789                               |
| Expiry of warrants and options    | -                   | -                 | (1,232,000)           | (80,151)           | (235,849)            | (28,302)          | 108,453             | -                                       |
| Loss and comprehensive loss       | -                   | -                 | -                     | -                  | -                    | -                 | (6,336,537)         | (6,336,537)                             |
| <b>Balance, December 31, 2023</b> | <b>151,220,036</b>  | <b>9,740,718</b>  | <b>39,452,583</b>     | <b>1,303,843</b>   | <b>14,070,000</b>    | <b>1,108,789</b>  | <b>(12,843,409)</b> | <b>(690,059)</b>                        |
| Private placement unit financing  | 21,200,000          | 1,060,000         | -                     | -                  | -                    | -                 | -                   | 1,060,000                               |
| Warrants on private placement     | -                   | (145,300)         | 10,600,000            | 145,300            | -                    | -                 | -                   | -                                       |
| Broker warrants                   | -                   | (17,800)          | 770,000               | 17,800             | -                    | -                 | -                   | -                                       |
| Issue costs                       | -                   | (45,511)          | -                     | -                  | -                    | -                 | -                   | (45,511)                                |
| Expiry of warrants                | -                   | -                 | (6,890,121)           | (837,566)          | -                    | -                 | 837,566             | -                                       |
| Loss and comprehensive loss       | -                   | -                 | -                     | -                  | -                    | -                 | (1,509,405)         | (1,509,405)                             |
| <b>Balance, December 31, 2024</b> | <b>172,420,036</b>  | <b>10,592,107</b> | <b>43,932,462</b>     | <b>629,377</b>     | <b>14,470,000</b>    | <b>1,108,789</b>  | <b>(13,515,248)</b> | <b>(1,184,975)</b>                      |

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



# Halco Halcones Precious Metals Corp.

## Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

|  |      | Years ended<br>December 31, |                    |
|--|------|-----------------------------|--------------------|
|  | Note | 2024                        | 2023               |
| <b>Cash (used in)/provided by:</b>               |      |                             |                    |
| <b>Operating activities</b>                      |      |                             |                    |
| Loss for the year                                |      | \$ (1,509,405)              | \$ (6,336,537)     |
| Items not involving cash:                        |      |                             |                    |
| Share based compensation                         | 6    | -                           | 1,108,789          |
| Changes in non cash working capital:             |      |                             |                    |
| Amounts receivable and prepaid expenses          |      | 86,370                      | 10,095             |
| Accounts payable and accrued liabilities         |      | 388,662                     | 816,833            |
| <b>Net cash (used in) operating activities</b>   |      | <b>(1,034,373)</b>          | <b>(4,400,820)</b> |
| <b>Net cash provided by investing activities</b> |      | <b>-</b>                    | <b>-</b>           |
| <b>Financing activities</b>                      |      |                             |                    |
| Private placement unit financing                 | 5    | 1,060,000                   | 3,058,146          |
| Cost of issue                                    | 5    | (45,511)                    | (121,276)          |
| Short-term loan proceeds                         | 9    | 154,298                     | -                  |
| Short-term loan repayments                       | 9    | (152,128)                   | -                  |
| <b>Net cash provided by financing activities</b> |      | <b>1,016,659</b>            | <b>2,936,870</b>   |
| <b>Change in cash</b>                            |      | <b>(17,714)</b>             | <b>(1,463,950)</b> |
| <b>Cash, beginning of the year</b>               |      | <b>193,957</b>              | <b>1,657,907</b>   |
| <b>Cash, end of the year</b>                     |      | <b>\$ 176,243</b>           | <b>\$ 193,957</b>  |
| <b>Cash</b>                                      |      | <b>176,243</b>              | <b>93,957</b>      |
| <b>Cash equivalents</b>                          |      | <b>-</b>                    | <b>100,000</b>     |
|  |      | <b>\$ 176,243</b>           | <b>\$ 193,957</b>  |
| <b>SUPPLEMENTAL INFORMATION</b>                  |      |                             |                    |
| Value of broker warrants                         | 5    | \$ 17,800                   | \$ 42,777          |

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

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# Halcones Precious Metals Corp.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

Expressed in Canadian Dollars

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Halcones Precious Metals Corp. (the “Company”, or “Halcones”) was incorporated on July 13, 2008 as a Province of Ontario registered corporation pursuant to the *Business Corporations Act of Ontario*.

The Company is currently engaged in the acquisition, exploration, and development of mineral properties in Chile. The head office and principal address of the Company is 36 Lombard Street, Toronto Ontario, M5C 2X3.

The Company owns the following subsidiaries:

- A 100% interest in Halcones Precious Metals Inc., which owns a 100% interest in Exploraciones Los Halcones S.A. (“Halcones Panama”), a company incorporated on July 8, 2021 in Panama which in turn owns 100% of Minera Los Halcones SpA (“Halcones Chile”), a company incorporated on July 26, 2021 in the Republic of Chile. Subsequent to December 31, 2024, Halcones Panama was dissolved and Halcones Precious Metals Inc. now owns Halcones Chile directly.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration programs will result in profitable operations.

The Company had been evaluating exploration opportunities after withdrawing from an option agreement to acquire the Carachapampa Project in Chile in early 2024. In October 2024, the Company entered into an option agreement to acquire a 100% interest in the Polaris Project in Chile (Note 4). The recoverability of exploration and evaluation expenditures is dependent upon the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition of these assets.

At December 31, 2024, the Company had a current assets of \$234,995 and current liabilities of \$1,419,970 (December 31, 2023 – current assets of \$339,079 and current liabilities of \$1,029,138) and an accumulated deficit of \$13,515,248 (December 31, 2023 - \$12,843,409). The Company has a need for equity financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

### 2. BASIS OF PRESENTATION

#### **Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

## **2. BASIS OF PRESENTATION (continued)**

### ***Basis of presentation***

These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and have been prepared using the historical cost basis. Furthermore, these consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. All values are rounded to the nearest dollar.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated on consolidation.

### ***Approval of the consolidated financial statements***

These consolidated financial statements of the Company for the years ended December 31, 2024 and 2023 were reviewed, approved and authorized for issue by the Board of Directors of the Company on April 25, 2025.

## **3. MATERIAL ACCOUNTING POLICIES**

### **Cash and cash equivalents**

Cash and cash equivalents consist of highly liquid investments, such as guaranteed investment certificates and deposit accounts with chartered banks, trust accounts held with lawyers, cashable within three months of the date of original issue.

### **Financial Assets and Liabilities**

#### **Financial Assets**

##### **Initial recognition and measurement**

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

##### **Subsequent measurement - financial assets at amortized cost**

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss. The Company’s cash and cash equivalents, and amounts receivable are recorded at amortized cost.

##### **Subsequent measurement - financial assets at FVPL**

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of earnings (loss). The Company does not measure any financial assets at FVPL.

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# **Halcones Precious Metals Corp.**

## **Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2024 and 2023**

*Expressed in Canadian Dollars*

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### **3. MATERIAL ACCOUNTING POLICIES (continued)**

#### **Subsequent measurement - financial assets at FVOCI**

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of earnings (loss) when the right to receive payments is established.

#### **Derecognition**

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

#### **Impairment of financial assets**

The Company's only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases, and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

#### **Financial Liabilities**

##### **Initial recognition and measurement**

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term loans payable, net of directly attributable transaction costs.

##### **Subsequent measurement – financial liabilities at amortized cost**

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss.

##### **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

##### **Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

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# Halcones Precious Metals Corp.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

Expressed in Canadian Dollars

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### 3. MATERIAL ACCOUNTING POLICIES (continued)

#### Exploration and evaluation properties

All expenditures on exploration and evaluation activities, including costs incurred to acquire and secure exploration property licenses, are recorded as project evaluation expenses until it has been established that a mineral property is commercially viable and technically feasible.

#### Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares, warrants and share options are recognized as a deduction from equity, net of any tax effects.

#### Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Exchange differences are recognized in operations in the period in which they arise.

#### Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For those options and warrants that expire after vesting, the recorded value is transferred to deficit.

#### Income taxes

Any income tax on profit or loss for the period 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 or other comprehensive income/loss, in which case the income tax is recognized in equity or other comprehensive income/loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, on a non-discounted basis using tax rates at the end of the reporting period applicable to the period of expected realization. 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.

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# Halcones Precious Metals Corp.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

Expressed in Canadian Dollars

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### 3. MATERIAL ACCOUNTING POLICIES (continued)

#### Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All the Company's outstanding stock options and warrants were anti-dilutive for the years ended December 31, 2024 and 2023.

#### Provisions

##### (a) General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance expense in the consolidated statement of loss.

##### (b) Rehabilitation provisions

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed, or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in loss.

The Company does not currently have any such significant legal or constructive obligations and therefore, no rehabilitation provision has been recorded as at December 31, 2024 and 2023.

#### Current accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2024. These changes were assessed to not have a material impact on the Company's consolidated financial statements.

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# Halcones Precious Metals Corp.

## Notes to the Consolidated Financial Statements

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### 3. MATERIAL ACCOUNTING POLICIES (continued)

#### Future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2025. Many are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

#### Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments – Disclosures*. The amendments clarify the derecognition of financial liabilities and introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system. The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of non-recourse assets and contractually linked instruments (CLIs). Further, the amendments mandate additional disclosures in IFRS 7 for financial instruments with contingent features and equity instruments classified at FVOCI. The amendments are effective for annual periods starting on or after January 1, 2026. Retrospective application is required and early adoption is permitted. The Company is assessing the impact of the adoption of this standard to the financial statements.

#### Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* to improve reporting of financial performance. The new standard replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required and early adoption is permitted. The Company is assessing the impact of the adoption of this standard to the financial statements.

#### Critical judgements and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

#### Share-based payments and warrants

Management determines costs for share-based payments and warrants issued in financing transactions using market-based valuation techniques. The fair value of the market-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

**3. MATERIAL ACCOUNTING POLICIES (continued)**

*Income, value added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

*Contingencies*

Refer to Note 11.

**4. EXPLORATION AND EVALUATION EXPENDITURES**

*Carachapampa Project*

On September 24, 2021, the Company signed an assignment agreement of an option contract to acquire mining concessions between a wholly owned subsidiary of the Company, Minera Los Halcones SpA and Austral Explorations SpA, an arm's length corporation, whereby the Company had the option, subject to certain conditions therein, to obtain a 100% interest in the mining rights associated with eleven concessions in the Carachapampa Project.

To fully exercise the option, the Company was required to make the following payments:

- US\$50,000 by April 7, 2022 (\$62,920, paid);
- US\$200,000 by April 7, 2023 (extended by agreement to July 7, 2023, \$265,536 paid);
- US\$500,000 by April 7, 2024; and
- US\$3,100,000 by April 7, 2025.

The Company withdrew from the option agreement in April 2024.

*Polaris Project*

In October 2024, the Company entered into binding option agreements to acquire a 100% interest in the Polaris Project ("Polaris" or the "Project") from Austral Exploraciones SpA ("Austral"), a privately owned Chilean exploration company. The transaction closed subsequent to the end of the year on January 30, 2025 with some amendments to the original binding agreements.

In exchange for an option to acquire a 100% interest in the Polaris Project, the Company:

- Paid US\$50,000 (\$69,232) upon signing the Letter of Intent for exclusivity in July 2024;
- Paid US\$100,000 (\$137,502) upon signing the binding agreements in October 2024;
- Issued 15,000,000 shares of the Company on closing of the transaction (issued January 31, 2025).



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**4. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

As well, the Company will be required to:

- Issue 20,000,000 shares of the Company on September 30, 2025;
- Issue 15,000,000 shares of the Company and make a cash payment of US\$100,000 on January 30, 2026;
- Make a cash payment of US\$150,000 on January 30, 2027;
- Make a cash payment of US\$250,000 on January 30, 2028;
- Make a cash payment of US\$2,000,000 on January 30, 2029;
- Issue an aggregate of 15 million shares to the Vendors upon the Company publicly filing a NI 43-101 compliant technical report for the Project with a mineral resource estimate of greater than 2 million ounces of gold (at a minimum of 1g/t of heap leachable material at a 0.25 g/t minimum cut-off grade);
- Issuance of an aggregate of 15 million shares to the Vendors upon the Company publicly filing a NI 43-101 compliant economic study for the Project;
- Issuance of an aggregate of 15 million shares to the Vendors upon the Company publicly filing a NI 43-101 compliant feasibility study for the Project; and
- Issuance of a 2% NSR over the Project to Austral.

Shares issued to Austral are subject to a statutory four month hold period. If the issuance of any Halcones Shares would result in Austral owning more than 19.99% of the issued and outstanding common shares of Halcones, the issuance of such Halcones Shares shall be subject to disinterested shareholder approval at a meeting of the shareholders of the Company (the "Shareholder Approval"). If the Shareholder Approval is not obtained, Halcones may elect to satisfy a portion of the share consideration in cash at a deemed price of \$0.05 per Halcones Share.

The Transaction has been approved by the TSX Venture Exchange and the Company has filed a NI 43-101 technical report on the Project on [www.sedarplus.ca](http://www.sedarplus.ca) under the Company's profile and on the Company's website.

Exploration and evaluation expenses expensed to the consolidated statements of operations and comprehensive loss are detailed in the following table:

|  | <b>Years ended</b>  |                     |
|--|---------------------|---------------------|
|  | <b>December 31,</b> |                     |
|  | <b>2024</b>         | <b>2023</b>         |
| Drilling and geophysics                          | \$ 147,683          | \$ 2,719,634        |
| Option payments on Polaris project               | 206,734             | 265,536             |
| Land management fees, taxes and permits          | 3,003               | 33,715              |
| Advance royalty payments                         | -                   | 36,071              |
| Travel, meals and accomodations                  | -                   | 16,464              |
| Professional fees                                | 86,550              | 115,558             |
| Project overhead costs                           | 250,420             | 418,279             |
| <b>Total exploration and evaluation expenses</b> | <b>\$ 694,390</b>   | <b>\$ 3,605,257</b> |

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**5. COMMON SHARES**

**Authorized**

On December 31, 2024, the authorized share capital consisted of an unlimited number of common shares without par value.

|                                       | Number of shares<br>outstanding | Amount               |
|---------------------------------------|---------------------------------|----------------------|
| <b>Balance, December 31, 2022</b>     | <b>90,057,111</b>               | <b>\$ 7,270,125</b>  |
| Private placement unit financing (ii) | 61,162,925                      | 3,058,146            |
| Warrant valuations (ii)               | -                               | (423,500)            |
| Broker warrant valuations (ii)        | -                               | (42,777)             |
| Cost of issue (ii)                    | -                               | (121,276)            |
| <b>Balance, December 31, 2023</b>     | <b>151,220,036</b>              | <b>\$ 9,740,718</b>  |
| Private placement unit financing (i)  | 21,200,000                      | 1,060,000            |
| Warrant valuations (i)                | -                               | (145,300)            |
| Broker warrant valuations (i)         | -                               | (17,800)             |
| Cost of issue (i)                     | -                               | (45,511)             |
| <b>Balance, December 31, 2024</b>     | <b>172,420,036</b>              | <b>\$ 10,592,107</b> |

- (i) On August 26, 2024, the Company closed a non-brokered private placement of 21,200,000 units priced at \$0.05 per unit for gross proceeds of \$1,060,000. Each unit was comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 per share expiring August 26, 2027 (Note 6). The Company issued 770,000 broker warrants in connection with this offering. Each broker warrant entitles the holder to acquire one common share of the Company at a price of \$0.05 expiring August 26, 2027 (Note 6). The Company's CEO and director subscribed for 2,000,000 units in relation to this financing.
- (ii) In July and August 2023, the Company closed a non-brokered private placement unit financing, in four tranches, issuing 61,162,295 units of the Company at a price of \$0.05 per unit for gross proceeds of \$3,058,146. Each unit was comprised of one common share of the Company and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 for a period of 3 years from the date of closing. As well, 1,981,000 broker warrants were issued at an exercise price of \$0.05 to expire in 3 years. The warrants were valued at \$423,500 and the broker warrants were valued at \$42,777, both estimated using the Black-Scholes option pricing model (see Note 6 for valuation assumptions). In connection with this financing, the Company paid \$121,276 in finders fees and regulatory costs.

Some of the Company's directors and officers subscribed for 9,062,925 units in relation to this financing.

Subsequent to the end of the year, on January 30, 2025, the Company issued 15,000,000 common shares in connection with the Polaris option (Note 4).

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**6. EQUITY RESERVES**

**Warrants**

|  | Number of<br>warrants | Weighted<br>average<br>exercise price | Value<br>of<br>warrants |
|--|-----------------------|---------------------------------------|-------------------------|
| Balance, December 31, 2022             | 8,122,121             | \$ 0.34                               | \$ 917,717              |
| Granted - Unit financing (Note 5(ii))  | 30,581,462            | 0.10                                  | 423,500                 |
| Granted - Broker warrants (Note 5(ii)) | 1,981,000             | 0.05                                  | 42,777                  |
| Expiry                                 | (1,232,000)           | 0.10                                  | (80,151)                |
| Balance, December 31, 2023             | 39,452,583            | \$ 0.15                               | \$ 1,303,843            |
| Granted - (Note 5(i))                  | 11,370,000            | 0.10                                  | 163,100                 |
| Expiry                                 | (6,890,121)           | 0.39                                  | (837,566)               |
| <b>Balance, December 31, 2024</b>      | <b>43,932,462</b>     | <b>\$ 0.10</b>                        | <b>\$ 629,377</b>       |

The following table summarizes the warrants outstanding as at December 31, 2024:

| Number of<br>warrants<br>outstanding | Number of<br>warrants<br>exercisable | Grant date | Expiry<br>date | Exercise<br>price | Estimated<br>fair value at<br>grant date | Share<br>price | Volatility | Risk-free<br>interest<br>rate | Expected<br>life | Expected<br>dividend<br>yield |
|--------------------------------------|--------------------------------------|------------|----------------|-------------------|--|----------------|------------|-------------------------------|------------------|-------------------------------|
| #                                    | #                                    |            |                | \$                | \$                                       |                |            |                               | Years            |                               |
| 12,431,462                           | 12,431,462                           | 14/Jul/23  | 14/Jul/26      | 0.10              | 177,800                                  | \$ 0.04        | 80%        | 4.30%                         | 3.00             | 0%                            |
| 7,400,000                            | 7,400,000                            | 19/Jul/23  | 19/Jul/26      | 0.10              | 98,800                                   | \$ 0.04        | 80%        | 4.27%                         | 3.00             | 0%                            |
| 7,300,000                            | 7,300,000                            | 31/Jul/23  | 31/Jul/26      | 0.10              | 99,700                                   | \$ 0.04        | 80%        | 4.41%                         | 3.00             | 0%                            |
| 3,450,000                            | 3,450,000                            | 18/Aug/23  | 18/Aug/26      | 0.10              | 47,200                                   | \$ 0.04        | 79%        | 4.51%                         | 3.00             | 0%                            |
| 105,000                              | 105,000                              | 14/Jul/23  | 14/Jul/26      | 0.05              | 2,267                                    | \$ 0.04        | 80%        | 4.30%                         | 3.00             | 0%                            |
| 931,000                              | 931,000                              | 19/Jul/23  | 19/Jul/26      | 0.05              | 20,092                                   | \$ 0.04        | 80%        | 4.27%                         | 3.00             | 0%                            |
| 735,000                              | 735,000                              | 31/Jul/23  | 31/Jul/26      | 0.05              | 15,900                                   | \$ 0.04        | 80%        | 4.41%                         | 3.00             | 0%                            |
| 210,000                              | 210,000                              | 18/Aug/23  | 18/Aug/26      | 0.05              | 4,518                                    | \$ 0.04        | 79%        | 4.51%                         | 3.00             | 0%                            |
| 10,600,000                           | 10,600,000                           | 26/Aug/24  | 26/Aug/27      | 0.10              | 145,300                                  | \$ 0.04        | 81%        | 3.17%                         | 3.00             | 0%                            |
| 770,000                              | 770,000                              | 26/Aug/24  | 26/Aug/27      | 0.05              | 17,800                                   | \$ 0.05        | 81%        | 3.17%                         | 3.00             | 0%                            |
| <b>43,932,462</b>                    | <b>43,932,462</b>                    |            |                |                   | <b>629,377</b>                           |                |            |                               |                  |                               |

The weighted-average remaining contractual life of the warrants as at December 31, 2024 is 1.84 years (December 31, 2023: 2.2 years).

**Options**

The Company's stock option plan provides that the aggregate number of securities reserved for issuance under the Stock Option Plan, combined with any other compensation securities of the Corporation will not exceed 10% of the number of Common Shares issued and outstanding from time to time. Options may be granted under the Stock Option Plan to service providers of the Corporation and its affiliates, as the board of directors of the Corporation may from time to time designate. The exercise price of each Option shall be determined by the board of directors of the Corporation in its sole discretion, at the time such Option is allocated under the Stock Option Plan, and cannot be less than the Discounted Market Price (as defined in the policies of the TSXV). All Options granted under the Stock Option Plan will expire no later than the date that is ten (10) years from the date that such Options are granted.

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**6. EQUITY RESERVES (continued)**

There was no change to options during the year ended December 31, 2024. While no options were granted during the year ended December 31, 2024, 8,050,000 options were granted during the year ended December 31, 2023. No options were exercised during 2024 or 2023. No options expired during 2024 (2023: 235,849).

The following table summarizes the options outstanding as at December 31, 2024:

| Number of<br>options<br>outstanding | Number of<br>options<br>exercisable | Grant date | Expiry<br>date | Exercise<br>price | Estimated<br>fair value at<br>grant date | Share<br>price | Volatility | Risk-free<br>interest<br>rate | Expected<br>life | Expected<br>dividend<br>yield |
|-------------------------------------|-------------------------------------|------------|----------------|-------------------|--|----------------|------------|-------------------------------|------------------|-------------------------------|
| #                                   | #                                   |            |                | \$                | \$                                       |                |            |                               | Years            |                               |
| 1,000,000                           | 1,000,000                           | 26/Jan/23  | 26/Jan/28      | \$0.11            | 100,653                                  | \$ 0.11        | 151%       | 2.95%                         | 5.00             | 0%                            |
| 7,050,000                           | 7,050,000                           | 26/Jan/23  | 26/Jan/28      | \$0.20            | 687,136                                  | \$ 0.11        | 151%       | 2.95%                         | 5.00             | 0%                            |
| 6,420,000                           | 6,420,000                           | 11/Oct/23  | 11/Oct/28      | \$0.10            | 321,000                                  | \$ 0.07        | 109%       | 4.15%                         | 5.00             | 0%                            |
| <b>14,470,000</b>                   | <b>14,470,000</b>                   |            |                |                   | <b>1,108,789</b>                         |                |            |                               |                  |                               |

Stock-based compensation expense for the year ended December 31, 2024 was \$nil (year ended December 31, 2023: \$1,108,789). The weighted-average remaining contractual life of the options as of December 31, 2024 is 3.38 years (December 31, 2023: 4.39 years).

**Restricted Share Units/Deferred Share Units**

On November 15, 2024, the Company's RSU/DSU plan was approved by shareholders of the Company. The Board of Directors may at any time authorize the grant to eligible participants RSUs and/or DSUs. Each grant shall specify the performance period and performance conditions, if any, and the vesting date. Each RSU or DSU award represents the right for the participant to receive on vesting either one common share of the Company or a cash payment equal to the equivalent therefore, which shall be at the sole and absolute discretion of the Board of Directors. The aggregate number of common shares that may be reserved for issuance under the RSU/DSU plan is limited to 12,100,000 common shares. The maximum aggregate number of common shares that are issuable pursuant to all share-based compensation granted or issued in any 12-month period to any one eligible consultant shall not exceed 2% of the total number of issued and outstanding common shares of the Company on a non-diluted basis. RSUs shall be settled by the Company upon the vesting date in either cash or common shares, however DSUs, upon vesting, shall be settled in either cash or shares upon the earlier of the death, eligible retirement or termination of the participant.

As at December 31, 2024, no RSUs nor DSUs have been granted.

**7. CAPITAL MANAGEMENT**

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to consist of common shares, stock options and warrants.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and evaluation and pay for administrative costs, the Company must raise additional amounts.

The Company may continue to assess new properties and may seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

**7. CAPITAL MANAGEMENT (continued)**

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the years ended December 31, 2024 and 2023.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months. As at December 31, 2024, the Company may not be compliant with the policies of the TSXV. The impact of any such violation is not known and is ultimately dependent on the discretion of the TSXV.

**8. FINANCIAL INSTRUMENTS**

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company's financial instruments include cash, accounts payable and accrued liabilities and short-term loan. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at December 31, 2024 and 2023, the Company had no instruments to classify in the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

**(a) Credit risk**

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

**a. Trade credit risk**

The Company is not exposed to significant trade credit risk.

**b. Cash and cash equivalents**

In order to manage credit and liquidity risk the Company's policy is to invest only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

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**8. FINANCIAL INSTRUMENTS (continued)**

**(b) Currency risk**

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's foreign currency risk arises primarily with respect to the Chilean Peso (CLP) from its property interests in Chile as well as fluctuations in the US dollar in which some costs are denominated. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

As at December 31, 2024, the Company had the following financial instruments denominated in foreign currency (expressed in Canadian dollars):

**December 31, 2024**

|  | <b>Chilean pesos</b> | <b>US dollars</b>   |
|--|----------------------|---------------------|
| Cash                                     | \$ 4,259             | \$ 43               |
| Accounts payable and accrued liabilities | (598,619)            | (196,414)           |
| Short-term loan                          | (2,170)              | -                   |
|  | <b>\$ (596,530)</b>  | <b>\$ (196,371)</b> |

**December 31, 2023**

|  | <b>Chilean pesos</b> | <b>US dollars</b>   |
|--|----------------------|---------------------|
| Cash                                     | \$ 11,231            | \$ 1,226            |
| Accounts payable and accrued liabilities | (565,936)            | (121,845)           |
|  | <b>\$ (554,705)</b>  | <b>\$ (120,619)</b> |

A 10% strengthening (weakening) of the Canadian dollar against the Chilean Peso would decrease (increase) net loss by approximately \$60,000 (December 31, 2023 - \$55,000).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately \$20,000 (December 31, 2023 - \$12,000).

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2024, the Company had a cash balance of \$176,243 (December 31, 2023 - \$193,957) to settle current liabilities of \$1,419,970 (December 31, 2023 - \$1,029,138). The Company's trade payables have contractual maturities of less than 30 days and are subject to normal trade terms. During the year ended December 31, 2024, consultants of the Company, including directors and officers (Note 9), waived \$791,650 in fees reducing trade payables. Subsequent to December 31, 2024, vendors and consultants, including directors and officers, waived an additional \$393,193 in payables.



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**8. FINANCIAL INSTRUMENTS (continued)**

*(d) Commodity / equity price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to gold, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk is remote as the Company is not a producing entity.

**9. RELATED PARTY TRANSACTIONS**

*Compensation of key management personnel of the Company*

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. During the years ended December 31, 2024 and 2023, the remuneration of directors and other key management personnel is as follows:

|                          | <b>Years ended</b>  |                     |
|--------------------------|---------------------|---------------------|
|                          | <b>December 31,</b> |                     |
|                          | <b>2024</b>         | <b>2023</b>         |
| Management fees          | \$ 376,281          | \$ 1,029,597        |
| Share-based compensation | \$ -                | \$ 861,210          |
| <b>Total</b>             | <b>\$ 376,281</b>   | <b>\$ 1,890,807</b> |

During the year ended December 31, 2024, directors and officers of the Company waived \$487,790 in fees owed by the Company. As at December 31, 2024, an amount of \$402,593 (December 31, 2023 - \$220,085) included in accounts payable and accrued liabilities, was owed to directors and officers of the Company. Subsequent to December 31, 2024, an additional \$317,053 in fees owed to directors and officers accrued to December 31, 2024 was waived on February 28, 2025. Such amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

See Note 5.

In January 2024, the Company's subsidiary borrowed 60,000,000 CLP (\$102,614) from a subsidiary of Nobel Resources Corp. ("Nobel") on a short-term basis. During the year ended December 31, 2024, the Company borrowed an additional 35,599,797 CLP (\$51,684) and repaid 94,099,797 CLP (\$136,614). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. The short-term loan of 1,500,000 CLP (\$2,170) remains payable as at December 31, 2024. As well, Nobel borrowed \$24,500 from the Company during the year ended December 31, 2024 which was repaid in full as at December 31, 2024. The Company and Nobel Resources Corp. have certain directors and officers in common. Subsequent to December 31, 2024, the Company's subsidiary borrowed an additional 25,000,000 CLP (\$37,619) from Nobel's subsidiary in February 2025 and Nobel borrowed \$25,000 from the Company in April 2025.

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**10. SEGMENT INFORMATION**

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Chile. The following table summarizes the total assets and liabilities by geographic segment as at December 31, 2024 and 2023:

| <b>December 31, 2024</b>                 | <b>Chile</b>      | <b>Canada</b>     | <b>Total</b>        |
|--|-------------------|-------------------|---------------------|
| Cash                                     | \$ 4,259          | \$ 171,984        | \$ 176,243          |
| Amounts receivable                       | -                 | 40,018            | 40,018              |
| Prepaid expenses                         | 13,388            | 5,346             | 18,734              |
| <b>Total Assets</b>                      | <b>\$ 17,647</b>  | <b>\$ 217,348</b> | <b>\$ 234,995</b>   |
| Accounts payable and accrued liabilities | \$ 650,419        | \$ 767,381        | \$ 1,417,800        |
| Short-term loan                          | 2,170             | -                 | 2,170               |
| <b>Total liabilities</b>                 | <b>\$ 652,589</b> | <b>\$ 767,381</b> | <b>\$ 1,419,970</b> |
| <b>December 31, 2023</b>                 | <b>Chile</b>      | <b>Canada</b>     | <b>Total</b>        |
| Cash                                     | \$ 11,231         | \$ 182,726        | \$ 193,957          |
| Amounts receivable                       | -                 | 85,009            | 85,009              |
| Prepaid expenses                         | 8,340             | 51,773            | 60,113              |
| <b>Total Assets</b>                      | <b>\$ 19,571</b>  | <b>\$ 319,508</b> | <b>\$ 339,079</b>   |
| Accounts payable and accrued liabilities | \$ 565,936        | \$ 463,202        | \$ 1,029,138        |
| <b>Total liabilities</b>                 | <b>\$ 565,936</b> | <b>\$ 463,202</b> | <b>\$ 1,029,138</b> |

The following table summarizes the loss by geographic segment for the years ended December 31, 2024 and 2023:

| <b>December 31, 2024</b>            | <b>Chile</b>        | <b>Panama</b>   | <b>Canada</b>       | <b>Total</b>        |
|-------------------------------------|---------------------|-----------------|---------------------|---------------------|
| Interest income                     | \$ -                | \$ -            | \$ (3,858)          | \$ (3,858)          |
| Exploration and evaluation expenses | 694,390             | -               | -                   | 694,390             |
| General and administrative expenses | 1,678               | -               | 786,059             | 787,737             |
| Share-based compensation            | -                   | -               | -                   | -                   |
| Foreign exchange loss               | 20,846              | -               | 10,290              | 31,136              |
| <b>Loss</b>                         | <b>\$ 716,914</b>   | <b>\$ -</b>     | <b>\$ 792,491</b>   | <b>\$ 1,509,405</b> |
| <b>December 31, 2023</b>            | <b>Chile</b>        | <b>Panama</b>   | <b>Canada</b>       | <b>Total</b>        |
| Interest income                     | \$ -                | \$ -            | \$ (6,779)          | \$ (6,779)          |
| Exploration and evaluation expenses | 3,605,257           | -               | -                   | 3,605,257           |
| General and administrative expenses | 3,803               | 1,021           | 1,594,060           | 1,598,884           |
| Share-based compensation            | -                   | -               | 1,108,789           | 1,108,789           |
| Foreign exchange (gain)/loss        | 42,647              | -               | (12,261)            | 30,386              |
| <b>Loss</b>                         | <b>\$ 3,651,707</b> | <b>\$ 1,021</b> | <b>\$ 2,683,809</b> | <b>\$ 6,336,537</b> |



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**11. COMMITMENTS AND CONTINGENCIES**

**Environmental**

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to make expenditures to comply with such laws and regulations.

**General**

The Company may be subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable, and the amounts are estimable.

**Management Contracts**

The Company is party to certain management contracts. As at December 31, 2024, these contracts require payments of approximately \$1,890,000 (December 31, 2023 - \$1,769,000) to be made upon the occurrence of a change of control to the officers and consultants of the Company. The Company is also committed to payments upon termination of approximately \$957,000 (December 31, 2023 - \$898,000) pursuant to the terms of these contracts as at December 31, 2024. As a triggering event has not taken place on December 31, 2024, these amounts have not been recorded in these consolidated financial statements. Minimum payments under these contracts due within one year are approximately \$957,000.

**12. INCOME TAX**

**Provision for income taxes**

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2023: 26.5%) were as follows:

|  | <b>2024</b> | <b>2023</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| (Loss) before income taxes                           | (1,509,405) | (6,336,537) |
| Expected income tax recovery based on statutory rate | (400,000)   | (1,679,000) |
| Adjustment to expected income tax benefit:           |             |             |
| Share-based payments                                 | -           | 294,000     |
| Expenses not deductible for tax purposes             | 8,000       | 8,000       |
| Change in Benefit of tax assets not recognized       | 392,000     | 1,377,000   |
| Deferred income tax provision (recovery)             | -           | -           |

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**12. INCOME TAX (continued)**

**Deferred income taxes**

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

|  | <b>2024</b>       | <b>2023</b>       |
|--|-------------------|-------------------|
|  | <b>\$</b>         | <b>\$</b>         |
| Non-capital loss carry-forwards - Canada | 5,316,000         | 4,238,000         |
| Non-capital loss carry-forwards - Chile  | 6,238,000         | 5,727,000         |
| Share issue costs                        | 313,000           | 397,000           |
|  | <b>11,867,000</b> | <b>10,362,000</b> |

In Canada, the Company has approximately \$5,316,000 of non-capital losses expiring between 2038 and 2044. In Chile, the Company has approximately \$6,238,000 of non-capital losses that carry forward indefinitely.

The potential future benefit of these losses has not been recognized in the consolidated financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

**13. SUBSEQUENT EVENTS**

In March 2025, the Company closed the first tranche of a private placement financing issuing 23,445,000 units of the Company at a price of \$0.07 per unit for gross proceeds of \$1,641,150. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant, where each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 per share for a period of 3 years following the date of issuance. In connection with this first tranche, the syndicate of agents leading the offering received an aggregate cash fee of \$114,881 as well as 1,641,150 compensation warrants, where each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.07 for a period of 3 years from the date of close.

In April 2025, the Company closed the second and final tranche of its private placement financing issuing 7,702,200 units at a price of \$0.07 per unit for gross proceeds of \$539,504. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant, where each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 per share for a period of 3 years following the date of issuance. In connection with this second tranche, the syndicate of agents leading the offering received an aggregate cash fee of \$37,765 as well as 539,504 compensation warrants, where each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.07 for a period of 3 years from the date of close.

Subsequent to December 31, 2024, the Company's subsidiary borrowed an additional 25,000,000 CLP (\$37,619) from Nobel's subsidiary in February 2025 and Nobel borrowed \$25,000 from the Company in April 2025.