

PERUVIAN METALS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2023

(Unaudited)

(Expressed in Canadian dollars)

PERUVIAN METALS CORP.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
DECEMBER 31, 2023

(Expressed in Canadian dollars)

<u>INDEX</u>	<u>PAGE</u>
Condensed Consolidated Interim Statements of Financial Position	3
Condensed Consolidated Interim Statements of Income and Comprehensive Income	4
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity	5
Condensed Consolidated Interim Statements of Cash Flows	6
Notes to the Condensed Consolidated Interim Financial Statements	7 – 17

NOTICE TO READER

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

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

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

PERUVIAN METALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT

Page 3

	(Unaudited) December 31, 2023 \$	(Audited) December 31, 2022 \$
ASSETS		
CURRENT		
Cash	143,515	215,956
Prepaid expenses and advances	22,975	36,855
Amounts receivable	236,998	244,772
Note receivable (Note 18)	44,968	-
Sales tax receivable	22,795	35,189
Inventory (Note 5)	22,217	50,289
Investments (Note 4)	72,875	78,838
TOTAL CURRENT ASSETS	566,343	661,899
PROPERTY, PLANT AND EQUIPMENT (Note 8)	1,356,283	1,445,561
TOTAL ASSETS	1,922,626	2,107,460
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	344,060	490,016
Due to related parties (Note 7)	102,576	140,623
TOTAL CURRENT LIABILITIES	446,636	630,639
ASSET RETIREMENT AND RECLAMATION OBLIGATIONS (Note 9)	235,482	223,690
TOTAL LIABILITIES	682,118	854,329
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 10(a))	53,472,540	53,373,066
WARRANT RESERVE (Note 10(b))	-	23,340
SHARE-BASED PAYMENT RESERVE (Note 11)	270,000	298,541
ACCUMULATED DEFICIT	(53,030,874)	(52,737,943)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	711,666	957,004
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTEREST	528,842	296,127
TOTAL SHAREHOLDERS' EQUITY	1,240,508	1,253,131
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,922,626	2,107,460

GOING CONCERN (Note 2)

COMMITMENTS AND CONTINGENCIES (Note 17)

SUBSEQUENT EVENTS (Note 18)

APPROVED ON BEHALF OF THE BOARD:

Signed "Dan Hamilton", Director

Signed "Jeffrey Reeder", Director

See accompanying notes to the condensed consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

FOR THE TWELVE MONTHS ENDED DECEMBER 31,

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Mineral processing revenue	745,691	642,927	2,490,953	2,343,979
Plant operating costs (Note 13)	(330,493)	(432,483)	(1,402,686)	(1,433,632)
INCOME FROM PROCESSING PLANT OPERATIONS	415,198	210,444	1,088,267	910,347
General and administrative (Note 14)	(236,366)	(226,461)	(584,592)	(616,306)
Exploration and evaluation expenditures	(79,485)	(79,051)	(317,849)	(359,872)
(LOSS) INCOME BEFORE THE FOLLOWING:	99,347	(95,068)	185,826	(65,831)
Gain on sale of mineral concessions	-	59,856	-	673,916
Interest income	1,828	32,707	2,407	24,395
Loss on disposal of property, plant and equipment (Note 8)	-	-	(14,415)	-
Accretion expense (Note 9)	(2,948)	(1,373)	(11,792)	(10,652)
Depreciation	(5,217)	(5,376)	(20,869)	(20,221)
Unrealized (loss) gain on investments (Note 4)	(63,675)	115,372	113,288	(162,878)
Foreign currency translation loss	(63,190)	(97,565)	(151,349)	(202,225)
Realized loss on sale of investments (Note 4)	(9,764)	(175,660)	(59,735)	(221,790)
(LOSS) INCOME BEFORE INCOME TAXES FOR THE PERIOD	(43,619)	(167,107)	43,361	14,714
Current income tax expense	(124,077)	(115,344)	(124,077)	(115,344)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(167,696)	(282,451)	(80,716)	(100,630)
ATTRIBUTABLE TO:				
Non-controlling interest	66,594	46,761	232,715	231,132
Shareholders of the Parent	(234,290)	(329,212)	(313,431)	(331,762)
	(167,696)	(282,451)	(80,716)	(100,630)
Loss per share - basic and diluted (Note 12)	(0.002)	(0.003)	(0.003)	(0.003)
Weighted average number of common shares				
Outstanding - basic and diluted	99,742,521	98,658,521	99,229,053	98,577,115

See accompanying notes to the condensed consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

FOR THE TWELVE MONTHS ENDED DECEMBER 31,

		Common Shares	Warrant Reserve	Share-based Payment Reserve	Accumulated Deficit	Equity attributable to shareholders of the parent	Non-Controlling Interest	Total Shareholders' Equity
	Notes	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2021		53,291,789	23,720	347,753	(52,421,416)	1,241,846	64,995	1,306,841
Shares issued for cash - exercise of options	10,11	78,977	-	(33,977)	-	45,000	-	45,000
Shares issued for cash - exercise of warrants		4,180	(380)	-	-	3,800	-	3,800
Share issuance costs	10	(1,880)	-	-	-	(1,880)	-	(1,880)
Value of options expired		-	-	(15,235)	15,235	-	-	-
Net loss		-	-	-	(331,762)	(331,762)	231,132	(100,630)
Balance, December 31, 2022		53,373,066	23,340	298,541	(52,737,943)	957,004	296,127	1,253,131
Shares issued for cash - exercise of options	10,11	68,541	-	(28,541)	-	40,000	-	40,000
Shares issued for cash - exercise of warrants	10	31,240	(2,840)	-	-	28,400	-	28,400
Share issuance costs	10	(307)	-	-	-	(307)	-	(307)
Value of warrants expired		-	(20,500)	-	20,500	-	-	-
Net loss		-	-	-	(313,431)	(313,431)	232,715	(80,716)
Balance, December 31, 2023		53,472,540	-	270,000	(53,030,874)	711,666	528,842	1,240,508

See accompanying notes to the condensed consolidated interim financial statements

PERUVIAN METALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
FOR THE TWELVE MONTHS ENDED DECEMBER 31,

Page 6

	2023 \$	2022 \$
CASH FLOWS PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net (loss) income for the period	(80,716)	(100,630)
Items not requiring cash:		
Depreciation	162,634	235,074
Accretion expense	11,792	10,652
Realized loss on sale of investments	59,735	221,790
Unrealized (gain) loss on investments (Note 4)	(113,288)	162,878
Foreign currency translation loss	151,349	202,225
Loss on disposal of property, plant and equipment (Note 8)	14,415	-
Gain on sale of mineral concessions (Note 6)	-	(673,916)
Changes in non-cash operating working capital:		
Prepaid expenses and advances	13,880	(28,763)
Amounts receivable, notes receivable and sales tax receivable	(24,800)	(65,540)
Inventory	28,072	(24,955)
Accounts payable and accrued liabilities	(145,956)	(142,690)
Due to related parties	(38,620)	(10,430)
Cash flows provided by (used in) operating activities	38,497	(214,305)
INVESTING ACTIVITIES		
Additions to property, plant and equipment (Note 8)	(87,197)	(37,982)
Proceeds on sale of investments	59,515	174,970
Proceeds on sale of mineral concessions (Note 6)	-	124,770
Cash flows from investing activities	(27,682)	261,758
FINANCING ACTIVITIES		
Share issue costs	(307)	(1,880)
Shares issued for cash - exercise of options	40,000	45,000
Shares issued for cash - exercise of warrants	28,400	3,800
Cash flows from financing activities	68,093	46,920
Effect of exchange rates on cash	(151,349)	(202,225)
Decrease in cash	(72,441)	(107,852)
Cash, beginning of the period	215,956	323,808
Cash, end of the period	143,515	215,956

See accompanying notes to the consolidated financial statements

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

1. GENERAL INFORMATION

Peruvian Metals Corp. (“Peruvian Metals”, and with its subsidiaries, the “Company”) is a publicly listed company originally incorporated in British Columbia and subsequently continued federally under the Canada Business Corporations Act. Effective September 5, 2018 Peruvian Metals changed its name from Duran Ventures Inc. to Peruvian Metals Corp. Peruvian Metals’ common shares have been listed on the TSX Venture Exchange (“TSXVE”) since July 4, 2007, and trade under the symbol “PER”. The Company is engaged in mineral processing and the exploration and development of mineral properties in Peru. The Company’s principal office is located at 250 Southridge NW, Suite 300, Edmonton, AB, Canada T6H 4M9 and substantially all the Company’s corporate and administrative expenses are incurred in Canada.

On February 9, 2024, Peruvian Metals Corp. changed its fiscal year end from December 31 to March 31 as the Company anticipates that a fiscal year end of March 31 will allow it to complete its audit requirements with greater efficiency and will better align the Corporation’s financial reporting periods to that of its peer group in the mineral resources and development sector, which will allow investors to more easily compare quarterly and annual financial results.

2. GOING CONCERN

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining and milling operations. The recoverability of the carrying value of exploration and evaluation assets and property, plant and equipment and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company’s assets are subject to increases in taxes and royalties, renegotiation of contracts, expropriation, currency exchange fluctuations and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing registration or regulations, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory, social and environmental requirements.

These condensed consolidated interim financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

During the twelve months ended December 31, 2023, the Company realized a net loss of \$80,716 (2022 – \$100,630), had a positive cash flow from operations of \$38,497 (2022 – negative cash flow of \$214,305), and had a working capital surplus of \$119,607 (2022 – \$31,260) and an accumulative deficit of \$53,030,874 as at December 31, 2023 (2022 - \$52,737,943).

Management is aware, in making its assessment, of material uncertainties related to events or conditions that could cast significant doubt upon the Company’s ability to continue as a going concern. The Company’s continuance as a going concern is dependent upon its ability to obtain adequate financing or 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. If the going concern assumption is not appropriate, material adjustments to the consolidated financial statements may be required.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

3. BASIS OF CONSOLIDATION

These condensed consolidated interim financial statements include the accounts of Peruvian Metals and its wholly owned subsidiaries, Empresa Querco SAC (“Querco”) to April 21, 2022 (Note 6), Mamaniña Exploraciones SAC (“Mamaniña Exploraciones”), Hatum Minas SAC (“Hatun Minas”), Magellan Gold Peru SAC, and its 80% owned subsidiary companies Minera Aguila de Ora SAC (“Madosac”) and Insumos Y Minerales del Norte SRL (“Insumos”), all of which are incorporated in Peru. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases.

All inter-company balances and transactions have been eliminated. The condensed consolidated interim financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company after eliminating inter-entity balances and transactions.

For non-wholly owned, controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as “non-controlling interests” in the equity section of the condensed consolidated interim statements of financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Statement of Compliance**

These condensed consolidated interim financial statements of the Company were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company has consistently applied the accounting policies used in preparation of these condensed consolidated interim financial statements throughout all the periods presented. Significant accounting judgements and estimates used by management in the preparation of these condensed consolidated interim financial statements are presented in Note 5 of the Company’s consolidated financial statements as at and for the year ended December 31, 2022.

The policies applied in these consolidated financial statements are based on the IFRS issued and effective as of December 31, 2023. These consolidated financial statements were approved and authorized for issue by the Board of Directors on February 29, 2024.

(b) Basis of preparation

The consolidated financial statements are presented in Canadian dollars. The financial statements are prepared on the historical cost basis except for marketable securities which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

4. INVESTMENTS

Pursuant to the sale of the Panteria porphyry copper project (the “Panteria Project”) (see Note 6), the Company received 9,275,000 common shares of Gold State Resources Inc, valued at \$417,375. On October 31, 2022, Gold State Resources completed a 10:1 share consolidation of its outstanding common shares and announced a name change to International Metals Mining Corp. (“IMMC”). As at December 31, 2022 the Company held 927,500 shares in IMMC, classified as financial assets at FVTPL, carried at a fair value, with unrealized gains/losses recognized in operations.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

During the twelve months ended December 31, 2023, the Company sold 265,000 common shares of IMMC for net proceeds of \$59,515. As at December 31, 2023, the Company has 662,500 IMMC common shares remaining.

As at December 31, 2023, the Company has adjusted the fair value of its investment in IMMC to \$0.11 (2022 - \$0.15) per common share in line with market closing price and recognized an unrealized loss of \$72,875 (2022 – \$278,250).

During the twelve months ended December 31, 2023, the Company sold 660,000 Silver X common shares for net proceeds of \$174,970. As at December 31, 2023, the Company had no Silver X common shares remaining.

5. INVENTORY

The Company's inventory at December 31, 2023 comprised of ore stockpiles of \$nil (2022 - \$34,656) and plant consumables \$22,217 (2022 - \$15,633).

6. EXPLORATION AND EVALUATION PROPERTY INTERESTS**Palta Dorado Property, Peru**

On January 9, 2020, the Company signed a Memorandum of Understanding ("MOU") with Rio Silver Inc. ("Rio Silver") to initially establish a small-scale mining operation on the Palta Dorado Au-Ag-Cu Property ("Palta Dorado" or the "Property") located in the Ancash Mining Department in Northern Peru. The MOU led to a 50-50 ownership between Peruvian Metals and Rio Silver in a Peruvian company (the "Joint Venture"). Equal ownership occurred when Peruvian Metals equally matched Rio Silver's capital investment in the Property of US \$250,000 in 2021. These capital expenditures included permitting, property taxes, camp construction, property wide exploration and any infrastructure needed for mining. The profits on the sale of concentrates would be shared between Rio Silver and Peruvian Metals after operational expenses outlined in the MOU. Operational expenses related to mining will be shared by both companies. Operational expenses will include mining, transportation of mineral and concentrates, support staff, consumable and logistics. Peruvian Metals' 80% owned plant would also charge the Joint Venture commercial mineral processing rates as other clients and will be considered as an operational expense. Peruvian Metals' is to act as the operator of the Joint Venture and to be responsible to obtain the small-scale permits related to the mining. At December 31, 2023, the Company and Rio Silver shared a common director.

During the year ended December 31, 2022, the Company signed an amended Memorandum of Understanding, confirming the Company completed its US \$250,000 in capital expenditures by December 31, 2021 and a definitive joint venture agreement remains outstanding.

See Note 18.

Pantheria Project

On April 21, 2022, the Company completed the sale of mineral concessions belonging to the Pantheria Project (the "Mineral Concessions") to IMMC. The total consideration for the sale of the Pantheria Project was \$256,540 (\$200,000 US) cash and \$417,376 shares (9,275,000 shares) for aggregate proceeds of \$673,916 to be paid in two equal installments. In addition to the cash and shares, a 1% NSR has been granted to the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

An initial payment of \$10,000 was received by the Company on signing the LOI on November 23, 2021. Peruvian Metals also agreed to sell its interest in Querco to IMMC for \$7,000. This already established legal business entity expedited the transaction in Peru by setting up a Peruvian holding company for IMMC. Upon signing the sales agreement, IMMC paid the Company the first installment of \$124,770 (\$100,000 US) and issued 4,637,500 shares of the Company. As at December 31, 2023, the second installment of the 4,637,500 shares has been received and the second cash payment of \$100,000 US is to be received in 2024 and is included in amounts receivable on the consolidated statement of financial position.

Additional bonus/milestone payments by IMMC include \$750,000 (not received) on or before the completion date of 10,000 metres of drilling on the Panteria Project, and additional \$750,000 (not received) on or before the completion date of 20,000 metres of drilling on the Panteria Project. At the sole election of IMMC, these payments can be made in cash or by the issuance of common shares of IMMC at their market value at the time of issuance, provided that such issuance is not to result in the Company holding 10% or more of the issued and outstanding shares of IMMC following such issuance.

Minas Visca Project

In November 2021, the Company acquired a 100% interest in a new high-grade silver-lead-zinc property by submitting a superior offer in a closed bid auction at the Peruvian Public Registry of Mining.

The new property covers an area of approximately 94 hectares and is road accessible from Lima by a well paved highway and by 50 kilometers of dirt road.

7. RELATED PARTY TRANSACTIONS

Related parties include officers of the Company, the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including the directors of the Company. The remuneration of key management personnel of the Company for the twelve months ended December 31, 2023 and 2022 were as follows:

	Three Months December 31,		Twelve months ended December 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Aggregate compensation	154,000	149,000	325,000	327,500

See Note 17.

As at December 31, 2023, a balance of \$102,576 (December 31, 2022 - \$140,623) was due to certain officers and directors of the Company relating to unpaid compensation. Amounts payable are unsecured, non-interest bearing and due on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

8. PROPERTY, PLANT AND EQUIPMENT

All of the Company's property, plant and equipment at December 31, 2023 and 2022, was located in Peru.

Cost	Office furniture and equipment	Computer equipment	Vehicles and field equipment	Plant	Total
	\$	\$	\$	\$	\$
Balance at December 31, 2021	19,578	2,895	102,265	2,203,497	2,328,235
Additions	1,263	1,728	13,017	21,974	37,982
Adjustment to asset retirement obligations	-	-	-	(46,759)	(46,759)
Balance at December 31, 2022	20,841	4,623	115,282	2,178,712	2,319,458
Additions	754	-	6,024	80,419	87,197
Disposals	(728)	(966)	(21,914)	-	(23,608)
Balance at December 31, 2023	20,867	3,657	99,392	2,259,131	2,383,047

Amortization and impairment	Office furniture and equipment	Computer equipment	Vehicles and field equipment	Plant	Total
	\$	\$	\$	\$	\$
Balance at December 31, 2021	2,499	1,140	11,315	623,869	638,823
Additions	1,811	1,332	17,078	214,853	235,074
Balance at December 31, 2022	4,310	2,472	28,393	838,722	873,897
Additions	1,630	406	18,833	141,765	162,634
Disposals	(728)	(965)	(8,074)	-	(9,767)
Balance at December 31, 2023	5,212	1,913	39,152	980,487	1,026,764

Carrying amounts	Office furniture and equipment	Computer equipment	Field equipment	Plant	Total
	\$	\$	\$	\$	\$
At December 31, 2022	16,531	2,151	86,889	1,339,990	1,445,561
At December 31, 2023	15,655	1,744	60,240	1,278,644	1,356,283

During the twelve months ended December 31, 2023, the Company recorded a loss on disposal of \$14,415 for inoperable equipment discarded.

9. ASSET RETIREMENT AND RECLAMATION OBLIGATIONS

The Company's operations are governed by laws and regulations covering the protection of the environment. The Company intends to implement progressive measures for rehabilitation work to be carried out during the operation, closing and follow-up work upon closing of the Aguila Norte processing plant; consequently, the Company has accounted for its asset retirement obligations for the plant using best estimates of future costs, based on information available at the reporting date. These estimates are subject to change following modifications to laws and regulations or as new information becomes available.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

The Company received its final environmental permit for the Aguila Norte Plant in February 2018 and set up a provision for the asset retirement and reclamation obligations. As at December 31, 2023, the estimated undiscounted cash flow required to settle the asset retirement obligation for Aguila Norte Plant and its related tailings pond is \$246,600 and is projected to be disbursed no earlier than 2024 (2022 – 2024). A 5% (2022 – 5%) discount rate and 2% (2022 – 2%) inflation rate were used to evaluate this provision.

	\$
Balance, December 31, 2021	259,797
Adjustment to asset retirement obligations	(46,759)
Accretion	10,652
Balance, December 31, 2022	223,690
Accretion	11,792
Balance, December 31, 2023	235,482

10. CAPITAL STOCK AND WARRANT RESERVE**a) Authorized, Issued and Outstanding shares**

Authorized - unlimited number of common shares with no par value,
 - 100,000,000 preferred shares with no par value

	Common Shares #	Amount \$
Balance, December 31, 2021	98,370,521	53,291,789
Exercise of stock options	650,000	45,000
Allocation from share-based payment reserve	-	33,977
Exercise of warrants	38,000	3,800
Allocation from warrant reserve	-	380
Share issuance costs	-	(1,880)
Balance, December 31, 2022	99,058,521	53,373,066
Exercise of stock options	400,000	40,000
Allocation from share-based payment reserve	-	28,541
Exercise of warrants	284,000	28,400
Allocation from warrant reserve	-	2,840
Share issuance costs	-	(307)
Balance, December 31, 2023	99,742,521	53,472,540

A summary of common shares outstanding as at December 31, 2023 and 2022 and changes during the years then ended are presented below:

- (i) During the twelve months ended December 31, 2023, a total of 400,000 options were exercised at an average of \$0.10 per share for proceeds of \$40,000.
- (ii) During the twelve months ended December 31, 2023, a total of 284,000 warrants were exercised at \$0.10 per share for proceeds of \$28,400.
- (iii) During the year ended December 31, 2022, a total of 38,000 warrants were exercised at an average of \$0.10 per share for proceeds of \$3,800.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

b) Share Purchase Warrants

A summary of warrants outstanding as at December 31, 2023 and 2022 and changes during the twelve months then ended are presented below:

	Warrants	Amount	Weighted average exercise price
	#	\$	\$
Balance, December 31, 2021	2,378,000	23,720	0.10
Expired	(6,000)	-	0.10
Exercised	(38,000)	(380)	0.10
Balance, December 31, 2022	2,334,000	23,340	0.10
Expired	(2,050,000)	(20,500)	0.10
Exercised	(284,000)	(2,840)	0.10
Balance, December 31, 2023	-	-	-

The Company had no outstanding warrants at December 31, 2023:

11. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN

The Company has adopted a share option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the options are determined by the Board of Directors.

The aggregate number of share options may not exceed 10% of the issued and outstanding common shares of the Company, and if any option granted under the Plan expires or terminates for any reason in accordance with the terms of the Plan without being exercised, that option would again be available for the purpose of the Plan. In addition, the exercise price of options granted under the Plan may not be lower than the exercise price permitted by the TSXVE, and all options granted under the plan may have a term not to exceed five years after issuance. All options currently issued and outstanding vested 100% on the date of grant.

A summary of the status of the Plan as at December 31, 2023 and 2022, and changes during the twelve months ended on those dates are presented below:

	Number of options #	Weighted average exercise price \$
Balance, December 31, 2021	3,600,000	0.06
Exercised	(650,000)	0.07
Expired	(225,000)	0.10
Balance, December 31, 2022	2,725,000	0.18
Exercised*	(400,000)	0.10 *
Expired	(200,000)	0.15
Balance, December 31, 2023	2,125,000	0.20

* The weighted average share price, at the date of exercise of options was \$0.10.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

As at December 31, 2023, the Company had outstanding share options issued to directors, officers, employees and consultants of the Company as follows:

Date of Grant	Options outstanding #	Options vested #	Exercise price \$	Expiry date
December 20, 2021	2,125,000	2,125,000	0.20	December 20, 2024
	2,125,000	2,125,000		

The weighted average remaining contractual life of options issued and outstanding as at December 31, 2023 was 0.97 years (2022 – 1.62 years).

12. LOSS PER SHARE**a) Basic**

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares in issue during the twelve months.

	Three Months ended December 31,		Twelve months ended December 31,	
	2023	2022	2023	2022
Net loss for the period	\$ (234,290)	\$ (213,868)	\$ (313,431)	\$ (331,762)
Weighted average number of common shares outstanding	99,742,521	98,658,521	99,229,053	98,577,115
Loss per share	\$ (0.002)	\$ (0.002)	\$ (0.003)	\$ (0.003)

b) Diluted

Diluted loss per common share is equal to the basic loss per common share for the twelve months ended December 31, 2023 and 2022 as all of the stock options and warrants outstanding are anti-dilutive.

13. PLANT OPERATING EXPENSES

	2023	2022	2023	2022
	\$	\$	\$	\$
Processing costs	99,987	134,638	600,711	573,490
Salaries and management fees	113,934	127,611	440,604	399,416
Depreciation	36,679	54,010	141,765	214,853
Office and general	26,663	44,763	96,792	85,324
Vehicles and equipment rentals	21,930	53,351	59,076	92,051
Professional fees	20,656	9,316	33,716	37,376
Security	10,644	8,762	30,022	27,050
Rent and utilities	-	32	-	4,072
	330,493	432,483	1,402,686	1,433,632

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

14. GENERAL AND ADMINISTRATIVE

	Three Months Ended December 31		Twelve months ended December 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Management and consulting fees	131,707	127,222	238,137	240,355
Shareholder relations and filing fees	42,894	23,930	168,479	167,413
Accounting and administration	6,866	52,571	68,117	123,682
Professional fees	35,267	12,000	43,765	45,704
Rent	5,250	5,250	21,000	21,000
Insurance	4,077	3,955	16,025	14,995
Travel	9,948	1,274	27,909	2,898
Telephone and communication	357	259	1,160	259
	236,366	226,461	584,592	616,306

15. FINANCIAL INSTRUMENT RISK FACTORS

The Company may be exposed to risks of varying degrees of significance that could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below. There have been no significant changes in the risks, objectives, policies and procedures from the previous year.

a) Credit risk management

Credit risk relating to cash and amounts receivable arises from the possibility that any counterparty to an instrument fails to perform. The Company does not feel there is significant counterparty risk that could have an impact on the fair value of cash and receivables. The Company applies the simplified approach to providing for expected credit losses ("ECL") prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables. The provision for ECL at December 31, 2023 and 2022 was \$Nil. As at December 31, 2023, the Company's cash is comprised of \$- held in a Canadian financial institution and \$- held in Peruvian financial institutions.

b) Liquidity risk

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Cash includes cash on hand and balances with banks. The deposits are held in Canadian and Peruvian chartered banks, or a financial institution controlled by Canadian and Peruvian chartered banks.

As of December 31, 2023, the Company had a cash balance of \$143,515 (2022 - \$215,956) to settle current liabilities of \$446,636 (2022 - \$630,639). The Company's other current assets consist of amounts receivable of \$236,998 (2022 - \$244,772) sales tax receivable of \$22,795 (2022 - \$35,189), an investment of \$72,875 (2022 - \$78,838) and notes receivable of \$44,968 (2022 - nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

c) Market risk

At the present time, the Company does not hold any interest in a mining property that is in production. The Company's viability and potential success depends on its ability to source mineral for processing profitably and develop, exploit, and generate revenue from the development of mineral deposits. Revenue, cash flow, and profits from any future milling and mining operations in which the Company is involved will be influenced by precious and/or base metal prices and by the relationship of such prices to production costs. Such prices can fluctuate widely and are affected by numerous factors beyond the Company's control.

The Company is exposed to price risk associated with the change in the market value of its investment in IMMC. The Company closely monitors equity prices to determine the appropriate course of action to take. A 1% change in the market price of the investment would result in a \$729 change to the Company's net loss for the twelve months ended December 31, 2023.

d) Foreign exchange risk

The Company's financings are in Canadian dollars. Certain of the Company's transactions are incurred in foreign currencies and are therefore subject to gains or losses due to fluctuations in exchange rates.

As at December 31, 2023, the Company had cash balances of \$49,858 (US \$37,697) (2022 - \$98,787 (US \$72,937)) in U.S. dollars, and \$88,151 (S/.246,998) (2022 - \$95,124 (S/. 267,426)) in Peruvian New Sol ("PNS"); amounts receivable of \$172,916 (US \$130,746) (2022 - \$166,865 (US \$123,200)) in US Dollars, and \$63,815 (S/.178,828) (2022 - \$58,093 (S/.163,313) in PNS, and accounts payable of \$3,967 (US \$3,000) (2022 - \$12,411 (US \$9,163)) in US Dollars and \$69,417 (S/.194,498) (2022 - \$190,768 (S/.536,318)) in PNS.

Sensitivity to a plus or minus 5% change in the foreign exchange rate would have affected the net loss by approximately \$15,051 for the twelve months ended December 31, 2023, based on the net foreign currency monetary assets as at December 31, 2023.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposure associated with the Company's foreign currency-denominated cash balances.

The Company utilizes foreign exchange forward contracts to manage foreign exchange risks from time to time, at the determination of management.

e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's cash balances earn interest at fixed rates over the next three to twelve months. It is management's opinion that the Company is not exposed to significant interest rate risk.

A sensitivity analysis has determined that an interest rate fluctuation of 1% would not have resulted in significant fluctuation in the interest expense during the twelve months ended December 31, 2023.

f) Fair value of financial assets and liabilities

The carrying values of the cash, amounts receivable, investments, accounts payable and accrued liabilities, and due to related parties approximate their respective fair values due to the short-term nature of these instruments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

16. CAPITAL RISK MANAGEMENT

The Company defines capital as shareholders' equity which at December 31, 2023 was \$1,240,508 (2022 - \$1,253,131). The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support its exploration, development and operation activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to fund operations at the Aguila Norte Plant, pursue the exploration of its mineral properties, and maximize shareholder returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing bank indebtedness or equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at December 31, 2023 and December 31, 2022, the Company had no bank debt.

Management reviews its capital management approach on an ongoing basis. There were no significant changes in the Company's approach to capital management during the twelve months ended December 31, 2023 and December 31, 2022. The Company and its subsidiaries are not subject to externally imposed capital requirements other than Policy 2.5 of the TSXVE, which requires adequate working capital or financial resources to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2023, the Company may not be compliant with Policy 2.5 of the TSXVE. The impact of this violation is not known and is ultimately dependent on the direction of the TSXVE.

17. COMMITMENTS AND CONTINGENCIES**Lease agreements**

The Company's subsidiary, Madosac, has annual office rental obligations of \$20,292 (US\$15,600) due during the twelve months ending December 31, 2024.

Management compensation

The Company has agreed to pay management compensation of a minimum total in annual payments of \$180,000.

Environmental matters

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 has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Legal proceedings

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at December 31, 2023 and December 31, 2022, no amounts have been accrued related to such matters.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

18. SUBSEQUENT EVENTS

Subsequent to the twelve months ended December 31, 2023, the Company announced the signing of a definitive agreement to acquire a 50% interest in San Maurizio Mines Inc. ("San Maurizio"), a private Manitoba-based company (the "Transaction"). Upon completion of the Transaction, San Maurizio will hold an exclusive 100% direct interest in the Mercedes gold-silver-lead-zinc-copper property ("Mercedes" or the "Property"), situated in central Peru via its wholly owned Peruvian subsidiary, Basic Minerals SAC ("Basic Minerals"). Peruvian Metals is set to acquire a 50% stake in San Maurizio by purchasing half of the outstanding shares currently owned by its sole shareholder, Hudson Heartland Ltd. ("Hudson"). The project is subject to a 20% Net Profit Interest ("NPI") which will be eliminated once US\$5 million has been paid to the NPI holder. Afterwards, a 1.5% Net Smelter Royalty ("NSR") will be paid to the NPI holder. San Maurizio retains the right to buyout the NSR for US\$1.5 million.

Peruvian Metals is set to acquire a 50% ownership stake in San Maurizio through the issuance of 2.5 million common shares to Hudson at a deemed issuance price of C\$0.08 per common share. The Transaction establishes Peruvian Metals and Hudson as the exclusive shareholders of San Maurizio. In addition, both entities have formalized their collaboration through comprehensive shareholders' and operating agreements, outlining their joint commitment to explore and develop the Property. As part of the Transaction, Peruvian Metals will extend a US\$250,000 loan to San Maurizio, mirroring the loan provided by Hudson. Up to the present date, As of February 28, 2024 Peruvian Metals has already contributed and loaned US\$80,000 (at December 31, 2023 - US\$34,000) towards this collaborative venture.

Subsequent to the twelve months ended December 31, 2023, the Company announced its intention to purchase Rio Silver's 50-per-cent interest in the Palta Dorada gold-silver-copper property located in northern Peru, resulting in 100-per-cent ownership. The company previously earned 50-per-cent ownership in the property in 2020 by investing \$250,000 (U.S.) and continued to finance project costs into 2021 and after. It was determined by the Company that its in the best interest of all parties to consolidate the project into one entity.

To acquire the remaining 50-per-cent interest in Palta Dorada, Peruvian Metals will pay Rio Silver US\$250,000 over five months. Rio Silver will retain a 3-per-cent net smelter return which is capped at \$2 million (U.S.). Peruvian Metals must also ensure that the royalty will pay a minimum of US\$50,000 per year for a period of five years.