



Condensed Interim Consolidated Financial Statements
For the three-month periods ended October 31, 2023, and 2022
Presented in Canadian dollars.

Notice of Disclosure of Non-Auditor Review of the Condensed Interim Consolidated Financial Statements for the Three Months Ended October 31, 2023 and 2022

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Tarachi Gold Corp. for the interim periods ended October 31, 2023 and 2022, have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of management.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements.

December 22, 2023

TARACHI GOLD CORP.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	October 31, 2023 \$	July 31, 2023 \$
ASSETS			
Current Assets			
Cash	3	125,777	194,303
Short-term investments	3	2,358,070	2,240,090
Tax and other receivables	4	30,385	20,264
Prepaid expenses		23,013	14,142
Consideration receivable	5	1,057,982	993,092
Total current assets		3,595,227	3,461,891
Exploration and evaluation assets	5,6	1	1
TOTAL ASSETS		3,595,228	3,461,892
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		57,948	57,828
TOTAL LIABILITIES		57,948	57,828
SHAREHOLDERS' EQUITY			
Share capital	7	24,236,857	24,236,857
Contributed surplus	7	3,346,883	3,346,883
Accumulated deficit		(24,496,709)	(24,506,077)
Accumulated other comprehensive income		450,249	326,401
TOTAL SHAREHOLDERS' EQUITY		3,537,280	3,404,064
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,595,228	3,461,892

Nature of operations and going concern (Note 1)

Approved on behalf of the board of directors on December 22, 2023:

"Dilshan Anthony"

Dilshan Anthony, Director

"Karlene Collier"

Karlene Collier, Director

TARACHI GOLD CORP.Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	For the three months ended	
		October 31, 2023	October 31, 2022
		\$	\$
EXPENSES			
Consulting fees	8	10,660	56,498
Insurance		28,261	48,062
General and administrative costs		4,112	13,558
Management fees	8	12,587	37,173
Professional fees		3,034	3,399
Shareholder information and investor relations		6,121	69,219
Transfer agent and filing fees		9,001	5,505
Total operating expenses		(73,776)	(\$233,414)
Other income (expenses)			
Foreign exchange (loss) gain		-	(315,023)
Interest income		18,254	816
Consideration receivable revaluation gain	5	64,890	-
INCOME (LOSS) FROM CONTINUING OPERATIONS		9,368	(547,621)
Net gain for discontinued operations	7	-	926,674
NET INCOME FOR THE PERIOD		9,368	376,053
Other comprehensive income			
Item that will be reclassified subsequently to loss			
Unrealized gain on foreign exchange translation		123,848	71,108
NET COMPEHENSIVE INCOME FOR THE PERIOD		133,216	447,161
LOSS PER SHARE (basic and diluted)		(0.00)	(0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (basic and diluted)		119,068,248	100,446,453

TARACHI GOLD CORP.Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Note	For the three months ended	
		October 31, 2023	October 31, 2022
		\$	\$
OPERATING ACTIVITIES			
Net income for the period		9,368	376,053
Item not affecting cash:			
Foreign exchange loss		-	(825,470)
Contingent consideration revaluation loss		-	190,932
Changes in non-cash working capital items:			
Change in tax and other receivables	4	(10,121)	375,266
Change in consideration receivable	5	(64,890)	-
Change in prepaid expenses		(8,871)	374,300
Change in accounts payable and accrued liabilities		120	62,513
		(74,394)	(74,014)
INVESTING ACTIVITIES			
Exploration and evaluation assets - expenditures	6	-	(782,818)
		-	(782,818)
NET CHANGE IN CASH			
		(74,394)	(229,224)
Effects of exchange rate fluctuation on cash		5,868	5,761
CASH, BEGINNING OF THE YEAR		194,303	512,783
CASH, END OF THE YEAR		125,777	289,320
Supplemental cash information			
Shares issued for acquisition of exploration and evaluation assets		-	70,000

TARACHI GOLD CORP.Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of shares #	Share capital \$	Contributed Surplus \$	Accumulated Other Comprehensive Income \$	Accumulated Deficit \$	Total \$
Balance, July 31, 2022	118,251,810	24,166,857	3,346,883	5,863	(6,729,981)	20,789,622
Shares issued - exploration and evaluation assets	1,000,000	70,000	-	-	-	70,000
Net loss and comprehensive loss for the period	-	-	-	71,108	376,053	447,161
Balance, October 31, 2022	119,251,810	24,236,857	3,346,883	76,971	(6,353,928)	21,306,783
Balance, July 31, 2022	119,251,810	24,236,857	3,346,883	326,401	(24,506,077)	3,404,064
Net loss and comprehensive loss for the period	-	-	-	123,848	9,368	133,216
Balance, October 31, 2023	119,251,810	24,236,857	3,346,883	450,249	(24,496,709)	3,537,280

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

TARACHI GOLD CORP.

Notes to Condensed Interim Consolidated Financial Statements for the three-month periods ended October 31, 2023, and 2022
(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Tarachi Gold Corp. (the "Company") was incorporated under the Business Corporations Act in British Columbia on February 19, 2016. On April 6, 2020, the Company changed its name from Kal Minerals Corp. to Tarachi Gold Corp. The Company has interests in exploration and evaluation assets, tailings, and production facilities in Mexico, and its principal business includes the exploration and development of those assets to move toward commercial production. The shares of the Company are trading on the Canadian Securities Exchange (the "CSE") under the symbol "TRG", on the OTCQB under the symbol "TRGGF", and on the Frankfurt Stock Exchange under the symbol "4RZ".

The head office, principal address, registered address, and records office of the Company are located at Suite 1723, 595 Burrard Street, Vancouver, BC V7X 1J1.

The Company is in the exploration stage with respect to its exploration and evaluation assets and has not yet determined whether those assets contain ore reserves that are economically recoverable. The carrying amount of these assets represents the total of capitalized net costs and is not intended to reflect their present or future value. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's legal interest in the assets, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition of the assets. The Company has returned its exploration assets under option to the vendors during the year ended July 31, 2023, and recognized an impairment of \$6,714,328. The Company sold the Magistral project during the year ended July 31, 2023, and recognized a net loss on the sale of assets of \$8,959,776 and a loss on control of subsidiary of \$1,139,964. The Company is actively looking for suitable exploration projects.

These condensed interim consolidated financial statements are prepared assuming the Company will continue as a going concern and realize its assets and discharge its liabilities and commitments in the normal course of business. In making its going concern assessment, management is aware of material uncertainties related to events and conditions that cast significant doubt upon the Company's ability to continue as a going concern. As at October 31, 2023, the Company has not yet achieved profitable operations and had an accumulated deficit of \$24,496,709 (July 31, 2023 - \$24,506,077). The Company's continuing operations, as intended, and its financial success may depend on how much it can successfully develop its business.

These Condensed Interim Consolidated financial statements do not reflect any adjustments, which could be material, to the carrying amounts of assets and liabilities, reported expenses, and classification used, that would be necessary if the Company were unable to continue as a going concern.

2. Material Accounting Policies Disclosure Information and Basis of Presentation

a) Statement of compliance

The Condensed Interim Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") applicable to the preparation of condensed interim consolidated financial statements, including International Accounting Standards ("IAS") 34 "Interim Financial Reporting", and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These Condensed Interim Consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting other than the consolidated statements of cash flows. The Condensed Interim Consolidated financial statements were approved by the Board of Directors of the Company on December 22, 2023.

TARACHI GOLD CORP.

Notes to Condensed Interim Consolidated Financial Statements for the three-month periods ended October 31, 2023, and 2022
(Expressed in Canadian Dollars)

2. Material Accounting Policies Disclosure Information and Basis of Presentation (continued)**b) Basis of consolidation**

These Condensed Interim Consolidated financial statements incorporate the financial statements of the Company and the subsidiaries controlled by the Company. The principal subsidiaries of the Company, which are accounted for under the consolidation method, are as follows:

Entity	Principal activities	Country of incorporation and operation	Ownership interest as at October 31, 2023	Ownership interest as at July 31, 2023
Tarachi Gold S.A. DE C.V.	Exploration and evaluation of mineral properties	Mexico	100%	100%

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. All significant intercompany transactions and balances have been eliminated.

c) Accounting standards issued but not yet adopted

The new standards or amendments issued but not yet effective are either not applicable or not expected to have a significant impact on the Company's condensed interim consolidated financial statements.

d) New accounting pronouncements**Adoption of New Accounting Standards**

The new standards, or amendments to standards and interpretations that were adopted by the Company, effective August 1, 2023, are as follows:

Disclosure of Accounting Policies (Amendments to IAS 1)

The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies. The amendments explain that accounting policy information is material if omitting, misstating; or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on, the basis of, those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of this amendment did not have a material impact on the Company's condensed consolidated interim financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error correction.

This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of this amendment did not have a material impact on the Company's condensed consolidated interim financial statements.

TARACHI GOLD CORP.

Notes to Condensed Interim Consolidated Financial Statements for the three-month periods ended October 31, 2023, and 2022
(Expressed in Canadian Dollars)

2. Material Accounting Policies Disclosure Information and Basis of Presentation (continued)**e) Significant Accounting Judgments and Estimates**

Preparing the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosure. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgment is used mainly in determining how a balance or transaction should be recognized in the financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the interim financial statements for the three months ended October 31, 2023, are consistent with those applied and disclosed in Note 3 of the annual consolidated financial statements. The Company's interim results are not necessarily indicative of its results for a full year.

3. Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents include \$125,777 (July 31, 2023 - \$194,303) in the operating bank accounts.

Short-term investments include \$2,358,070 (US\$1,700,000) (July 31, 2023 - \$2,240,090) of a Guaranteed Investment Certificate ("GIC") with a maturity of one year earning interest at 4.80%.

4. Tax and Other Receivables

	October 31, 2023	July 31, 2023
	\$	\$
GST receivable	1,855	9,954
Interest accrual receivable	28,530	10,310
Total	30,385	20,264

\$Nil (2023 - \$1,122,311 of IVA receivable) has been transferred to Atocha as part of the Disposal of the Magistral project (Note 5).

\$Nil (2023 - \$506,506 of IVA receivable) has been written off as impairment loss as the amount cannot be recovered due to the return of the exploration assets (Note 6).

TARACHI GOLD CORP.

Notes to Condensed Interim Consolidated Financial Statements for the three-month periods ended October 31, 2023, and 2022
(Expressed in Canadian Dollars)

5. Disposal of the Magistral Project and Discontinued Operations

On January 26, 2023, the Company signed a binding letter of agreement (the "Letter Agreement") with Compañía Minera de Atocha S.A. de C.V. ("Atocha"), a private Mexican Mining company with producing mines in the states of Durango and Zacatecas, for the sale of the Company's Magistral Project in Durango, Mexico. Upon closing the transaction proposed in the Letter Agreement (the "Transaction"), the Company will transfer 100% ownership of TGMEX Silver S.A. de C.V. ("TGMEX"), which owns all the Company's assets related to the Magistral Project, to Atocha. In exchange, Atocha will make cash payments of approximately \$7.5 million (US\$5,700,000). The transaction closed on May 3, 2023.

	\$
Cash	4,124,065
Less: Manto's payable	(621,565)
Consideration receivable net	993,092
Fair value of consideration received	4,495,592

At closing, Atocha acquired all the issued and outstanding shares of TGMEX in exchange for a cash payment of \$4,124,065 (US\$3,050,000).

The Company will seek to settle all outstanding obligations owing to Manto Resources S.A. de C.V. ("Manto") in relation to the Company's original acquisition of the Magistral Project from Manto in 2021. In exchange for the elimination of Manto's 15% net profit interest royalty on the Magistral Tailings, US\$2,000,000 in production bonus payments, and any other obligations owed to Manto or rights for Manto to participate in the Magistral Project, the Company will pay Manto 15% of all payments received from Atocha as those payments are received. The total payable to Manto is approximately \$1.125 million (US\$855,000) and of which \$621,565 (US\$457,500) has been paid to Manto at closing.

Contingent receivable

The following consideration is contingent upon the occurrence of the following future events:

1. US\$500,000 in the escrow account will be released to Tarachi when Atocha concludes negotiations with the Ejido Magistral, or after 12 months, whichever occurs first. The amount is fair valued at \$693,481 less \$104,022 of Manto's obligation net to contingent receivable.
2. US\$500,000 will be paid to Tarachi by November 19, 2023, less US\$102,617 contingency costs that arise after closing but not identified during due diligence. The amount is fair valued at \$551,204 less \$82,681 of Manto's obligation net to contingent receivable. Subsequent to October 31, 2023, the Company received US\$397,383.
3. US\$500,000 when 50% of the tailings located on the Magistral Project (the "Magistral Tailings") have been mined, sold, and/or processed or after the first complete calendar year of operation at the Magistral Project, whichever occurs first. Since the Company does not have control of Atocha's operations, this payment is not fair valued and excluded from the contingent receivable.
4. US\$500,000 when 100% of the Magistral Tailings have been mined, sold and/or processed or after the second complete calendar year of operation at the Magistral Project, whichever occurs first. Since the Company does not have control of Atocha's operations, this payment is not fair valued and excluded from the contingent receivable.
5. the amount of value-added tax ("IVA") currently owing to TGMEX as that tax benefit is realized by Atocha during operations and product sales from the Magistral Project or other Atocha-controlled assets if Atocha merges TGMEX with Atocha or another entity they control, estimated to total approximately US\$650,000. The Company anticipates the IVA tax benefit will be realized by Atocha and paid to the Company within the first year of commercial operations at the Magistral Project. Since the Company does not have control of Atocha's operations, this payment is not fair valued and excluded from the contingent receivable.

TARACHI GOLD CORP.

Notes to Condensed Interim Consolidated Financial Statements for the three-month periods ended October 31, 2023, and 2022
(Expressed in Canadian Dollars)

5. Disposal of the Magistral Project and Discontinued Operations (continued)

The consideration receivable has been fair valued using the Bank of Canada Prime Rate at 7.20% discount rate.

Valuation technique	Significant unobservable inputs
Discounted cash flows consider the present value of the net cash flows expected to be generated from the payments. The expected net cash flows are discounted using a risk-adjusted discount rate.	Prime rate 7.20%

During the year ended July 31, 2023, the Company recorded a \$10,099,740 loss on the deconsolidation of TGMEX. The assets, liabilities, and loss on TGMEX after deconsolidation are presented below:

Assets	\$
Cash	17,653
IVA receivable	1,122,311
Exploration and evaluation assets	19,548,285
Total Assets	20,688,249
Liabilities	
Contingent consideration	6,092,917
Intercompany payables	16,473,604
Total Liabilities	22,566,521
Net liabilities	(1,878,272)
Intercompany payables forgiven	16,473,604
Fair value of consideration received	(4,495,592)
Loss on deconsolidation	10,099,740
Attributable to:	
Loss on sale of assets	8,959,776
Loss on control of subsidiary	1,139,964
	10,099,740

The following table summarizes the assets and liabilities in the disposal group:

	July 31, 2023	July 31, 2022
	\$	\$
Assets		
Cash	-	65,368
Accounts receivable	-	816,153
Exploration and evaluation assets	-	18,566,275
Total assets of the disposal group	-	19,447,796
Current Liabilities		
Accounts payable	-	169,877
Contingent consideration	-	6,901,055
Intercompany loans	-	12,711,217
Total liabilities of the disposal group	-	19,782,149

TARACHI GOLD CORP.

Notes to Condensed Interim Consolidated Financial Statements for the three-month periods ended October 31, 2023, and 2022
(Expressed in Canadian Dollars)

5. Disposal of the Magistral Project and Discontinued Operations (continued)

The net gain from discontinued operations for the three months ended October 31, 2023, and 2022 are presented below:

	Three months ended	
	October 31, 2023	October 31, 2022
	\$	\$
Expenses		
General and administrative costs	-	(190)
Foreign exchange gain	-	1,114,796
Contingent consideration revaluation gain	-	(190,932)
Net gain from discontinued operations	-	923,864

The Condensed Interim Consolidated statement of cash flows for the three months ended October 31, 2022, was not restated to present the cash flows from the discontinued operations separately, as the Company elected to provide this information in the present note. The cash flows from the discontinued operations of TGMEX for the three months ended October 31, 2023, and 2022 are presented in the following table:

	Three months ended	
	October 31, 2023	October 31, 2022
	\$	\$
Cash flows provided by in operating activities	-	244,176
Cash flows used in investing activities	-	(308,070)
Decrease in cash	-	(63,894)

TARACHI GOLD CORP.

Notes to Condensed Interim Consolidated Financial Statements for the three-month periods ended October 31, 2023, and 2022
(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets

	Tarachi and Juliana Property \$	Magistral Project \$	Total \$
ACQUISITION COSTS			
Balance, July 31, 2022	3,461,038	15,575,576	19,036,614
Issuance of shares	70,000	-	70,000
Balance, July 31, 2023	3,531,038	15,575,576	19,106,614
DEFERRED EXPLORATION COSTS			
Balance, July 31, 2022	2,456,823	2,990,699	5,447,522
Camp and support	33,858	149,408	183,266
Ejido payments	-	66,596	66,596
Engineering services	-	223,787	223,787
Field costs	6,208	-	6,208
Geological services	69,642	22,368	92,010
IVA write off	506,506	-	506,506
Legal and agreements	59,287	101,067	160,354
Materials and supplies	-	3,546	3,546
Tailings purchase	-	402,294	402,294
Mining concession	43,290	-	43,290
Travel	7,677	12,944	20,621
Balance, July 31, 2023	3,183,291	3,972,709	7,156,000
TOTAL EXPLORATION AND EVALUATION ASSETS			
Balance, July 31, 2022	5,917,861	18,566,275	24,484,136
Balance, July 31, 2023	6,714,329	19,548,285	26,262,614
Contingent consideration reversal	-	(6,092,917)	(6,092,917)
Loss on sale of assets	-	(8,959,776)	(8,959,776)
Fair value of consideration received	-	(4,495,592)	(4,495,592)
Exploration and evaluation assets – impairment loss	(6,714,328)	-	(6,714,328)
Balance, July 31, 2023, and October 31, 2023	1	-	1

TARACHI GOLD CORP.

Notes to Condensed Interim Consolidated Financial Statements for the three-month periods ended October 31, 2023, and 2022
(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets (continued)**a) Tarachi and Juliana Property****i) Juliana and Las Moritas Property**

On September 3, 2020, the Company announced it entered into an option agreement to acquire 100% of Juliana and Las Moritas concessions in Sonora, Mexico. The Company has the right to acquire the concessions by making aggregate cash payments of \$2,000,000 USD to the optionor over the following 60 months, as well as through the issuance of 4,000,000 total common shares on December 5, 2021. The Company re-negotiated and revised the payment schedule as outlined below:

Cash payments (USD \$)	Common shares	Date
40,000	500,000	Execution date (paid and issued)
30,000	Nil	Six-month anniversary of the execution date (paid)
30,000	1,000,000	Twelve-month anniversary of the execution date (paid and issued)
30,000	Nil	Eighteen-month anniversary of the execution date (paid)
Nil	1,000,000	Twenty-four month anniversary of the execution date (issued)
60,000	1,500,000	Thirty-six month anniversary of the execution date
150,000	Nil	Forty-two month anniversary of the execution date
50,000	Nil	Forty-eight month anniversary of the execution date
150,000	Nil	Fifty-four month anniversary of the execution date
700,000	Nil	Sixty-month anniversary of the execution date
760,000	Nil	Sixty-six month anniversary of the execution date
2,000,000	4,000,000	

ii) Tarachi Project

On March 27, 2020, the Company entered into a letter of agreement with the option to earn 100% interest in the Tarachi Project. The Company can earn 100% interest in the Property by making the following payments:

- Making total cash payments of US\$5,000,000; and
- Issuing a total of 10,000,000 common shares.

On April 21, 2022, the Company re-negotiated with Minerales de Tarachi to amend the original option agreement and reduce future cash option payments. The amended payment schedule is outlined below:

Cash payments (USD \$)	Common shares	Date
25,000	2,500,000	Upon signing the Agreement (issued and paid)
75,000	Nil	5 days after closing the Company's next financing (paid)
100,000	2,500,000	First anniversary (issued and paid)
Nil	2,500,000	Second anniversary (issued)
Nil	2,500,000	Third anniversary
3,500,000	Nil	Fourth anniversary
3,700,000	10,000,000	

On June 28, 2023, the Company terminated the above option agreement on both properties. The exploration and evaluation assets have been written down to \$Nil and an impairment loss of \$6,714,328 have been recognized in other expenses in the year ended July 31, 2023.

TARACHI GOLD CORP.

Notes to Condensed Interim Consolidated Financial Statements for the three-month periods ended October 31, 2023, and 2022
(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets (continued)

b) Magistral del Oro Mill and Tailings Project

On February 8, 2021, the Company signed a purchase agreement (the "APA Agreement") with Manto Resources S.A. de C.V. ("Manto") to acquire Magistral del Oro mill and tailings project ("Magistral") located in the State of Durango, Mexico. The acquisition was closed on March 17, 2021 (the "Closing Date").

Pursuant to the APA Agreement, 100% interest in Magistral project was acquired and the consideration is composed of the following:

- 4,000,000 common shares issued respectively upon execution and 60 days after the Closing Date of the APA Agreement; (issued at a fair value of \$2,560,000)
- US\$1,179,500 upon execution of the APA Agreement; (paid)
- Certain obligations have been assumed by the Company
 - US\$1,245,230 (C\$1,552,179) has been paid and 2,594,728 common shares with fair value of \$670,868 have been issued during the year ended July 31, 2021;
 - US\$314,940 (C\$392,478) has been paid in cash, and US\$333,333 (C\$415,500) of the Company's common shares, that is 2,038,528 shares, has been issued at a 15% discount to the 10-day volume weighted average trading price on November 10, 2021;
- 1,000,000 common shares with a fair value of \$270,000 were issued to a third party as finder's fee during the year ended July 31, 2021.
- 4,000,000 common shares to be issued respectively on 180 days and 365 days after the Closing Date (issued on January 28, 2022, and March 17, 2022). All these shares also have security-specific trading restrictions for 4 months from the share issuance date.

The fair value of the 8,000,000 common shares was determined at \$1,743,207 based upon the quoted market price of the Company's common shares at \$0.30 per share on the Closing Date with a discount applied for lack of marketability determined using the Finnerty Average-Strike Put option model. The significant inputs used in the fair value measurement for the year ended July 31, 2021, are as follows: term of 10 to 16 months, annualized volatility of 135.04% to 163.97%, and annualized dividend yield of 0%.

- Contingent considerations to be paid upon achieving certain milestones:
 - 15% net profits royalty on the earnings before interest and taxes ("EBIT");
 - US\$500,000 respectively on 180 days and 365 days after commercial production which was defined as the EBIT exceeding \$100,000 in a calendar month; and
 - US\$1,000,000 upon revenue equaling or exceeding US\$15,000,000.

On January 19, 2022, the Company completed the Preliminary Economic Assessment ("PEA") to assess whether the Company can bring the project into commercial production. For the three-month period ended October 31, 2023, and 2022, a probability-weighted expected value calculation was utilized to value the contingent consideration. The calculation was based on management's best estimate on the assumptions used in the EBIT projection. The probability weightings assigned were based on the likelihood of the occurrence of different scenarios. The Company has revalued the estimated royalty and recalculated the contingent consideration based on the available results from the PEA.

The pre-tax discount rate applied to the EBIT projection is 13%, which represents the current market assessment of the risk specific to the Company, taking into consideration the time value.

The gold price applied to the EBIT projection is in a range from US\$1,686 to US\$1,750 per ounce, which is estimated based on the industry trend.

As at October 31, 2023, the Magistral project has been sold to Atocha (Note 5). The exploration and evaluation asset has been written down to \$Nil and loss on sale of assets of \$8,959,776 has been recognized in other expenses. The contingent consideration liability of \$6,092,917 has been reversed and written off against the exploration and evaluation asset.

TARACHI GOLD CORP.

Notes to Condensed Interim Consolidated Financial Statements for the three-month periods ended October 31, 2023, and 2022
(Expressed in Canadian Dollars)

7. Share Capital**a) Authorized share capital:**

Unlimited common shares without par value.

Issued and outstanding:

On October 31, 2023, the Company had 119,251,810 (July 31, 2023 – 119,251,810) common shares outstanding, of which no common shares are held in escrow (2022 – Nil).

There is no share issued in the three-month period ended October 31, 2023.

Shares issued during the year ended July 31, 2023

On October 7, 2022, 1,000,000 shares were issued pursuant to the option agreement to acquire the Juliana and Las Moritas property (Note 6(a)).

b) Options:

A continuity schedule of the Company's outstanding stock options for the three-month period ended October 31, 2023, is as follows:

	October 31, 2023		July 31, 2023	
	Number outstanding	Weighted average exercise price \$	Number outstanding	Weighted average exercise price \$
Outstanding, beginning of the period	7,830,000	0.35	7,830,000	0.35
Outstanding and exercisable, end of the period	7,830,000	0.35	7,830,000	0.35

During the three-month period ended October 31, 2023, no options were exercised or granted.

As at October 31, 2023, the Company had outstanding, and exercisable stock options as follows:

Expiry date	Options outstanding	Exercise price \$	Weighted average remaining contractual life (in years)
26-Aug-24	1,000,000	0.69	1.63
18-Jun-25	1,750,000	0.31	1.72
20-Jul-25	300,000	0.66	0.82
21-Jan-26	1,368,000	0.28	2.23
08-Feb-26	380,000	0.29	2.28
17-Mar-26	167,000	0.30	2.38
27-Apr-26	1,165,000	0.27	2.49
25-Jan-27	1,500,000	0.16	3.24
23-Mar-27	200,000	0.17	3.39
	7,830,000		2.16

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7. Share Capital (continued)**c) Warrants**

A continuity schedule of the Company's outstanding and exercisable common share purchase warrants for the three-month period ended October 31, 2023, is as follows:

	October 31, 2023		July 31, 2023	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
		\$		\$
Outstanding, beginning of the period	12,067,925	0.30	24,742,838	0.51
Expired	-	-	(12,552,814)	0.70
Outstanding, end of the period	12,067,925	0.30	12,067,925	0.30

As at October 31, 2023, the Company had outstanding warrants exercisable to acquire common shares of the Company as follows:

Expiry date	Warrants outstanding	Exercise price \$	Weighted average remaining contractual life (in years)
11-Mar-24	11,613,503	0.30	0.36
11-Mar-24	454,422	0.30	0.36
	12,067,925		0.36

8. Related Party Balances and Transactions

The Company's key management personnel consist of directors and executives and companies owned, directly or indirectly, by key management personnel of the Company.

Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

As at October 31, 2023, the Company has amounts due to related party totaling \$nil (2023 - \$nil)

During the three-months period ended October 31, 2023, the Company has granted Nil (2023 - nil) stock options in total to officers and directors of the Company.

In the three-month period ended October 31, 2023, the Company has paid \$7,500 (October 31, 2022: \$45,000) to a company with common directors and officers for rent expenses and administration expenses.

During the three-month periods ended October 31, 2023, and 2022, the Company had the following related party transactions:

	For the three-month periods ended	
	October 31, 2023	October 31, 2022
	\$	\$
Consulting fees	10,200	31,500
Management fees	11,250	36,250
Rent and administration services	7,500	45,000
Total	28,950	112,750

These related party transactions were incurred in the normal course of operations and are measured at the exchange amount, being the amount established and agreed upon by the related parties.

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9. Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to continue its business and maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company's capital includes the components of its shareholders' equity. The Company manages its capital structure and adjusts it considering changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash. To preserve cash, the Company does not pay any dividends.

The Company is not subject to any externally imposed capital requirements. The Company did not change its capital management approach during the three-month period ended October 31, 2023. The Company's ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing, and/or other financing arrangements.

10. Financial Instruments**a) Categories of Financial Instruments and Fair Value Measurements**

The Company's financial assets and liabilities are as follows:

	October 31, 2023	July 31, 2023
	\$	\$
Financial assets:		
<i>FVTPL</i>		
Cash	125,777	194,303
<i>Amortized cost</i>		
Other receivables (excluding tax receivables)	28,530	10,310
Consideration receivable	1,057,982	993,092
	1,212,289	1,197,705
Financial liabilities:		
<i>Other financial liabilities</i>		
Accounts payable and accrued liabilities	57,948	57,827
	57,948	57,827

b) Fair Value Information

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels as defined below:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Cash and shares to be issued are carried at fair value using a level 1 fair value measurement. The fair value of the Company's other receivables (excluding tax receivables) and accounts payable and accrued liabilities approximate the carrying amount due to the short-term nature of these instruments. The fair value of contingent receivable is classified as a level 3 fair value measurement.

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Notes to Condensed Interim Consolidated Financial Statements for the three-month periods ended October 31, 2023, and 2022
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10. Financial instruments (continued)

c) Management of Financial Risks

The Company's financial instruments expose the Company to certain financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

The Company's cash is primarily held with high-credit quality financial institutions in Canada. Management believes credit risk is low given the good credit ratings of the banks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining adequate cash and managing its capital and expenditures.

As at October 31, 2023, the Company had cash of \$125,777 (July 31, 2023 - \$194,303) and GIC of \$2,358,070 (2023 - \$2,240,090), and accounts payable and accrued liabilities of \$57,948 (July 31, 2023 - \$57,828) with contractual maturities of less than one year. With the cash received from the sale of Magistral, management assessed the liquidity risk as low.

Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of foreign currency risk, commodity price risk, and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits while maximizing returns.

- *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity.

- *Foreign currency risk*

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar, United States dollar, and Mexican Peso will affect the Company's operations and financial results. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies. The foreign currency risk is assessed to be high as the Company held its entire short-term investments in a GIC denominated in United States dollar as at October 31, 2023.

- *Price risk*

This risk relates to fluctuations in commodity and equity prices. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.