
HANNAN METALS LTD.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2024 AND 2023

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Hannan Metals Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Hannan Metals Ltd. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2024 and 2023, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current year. This matter was 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 this matter.

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 5 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was \$5,786,289 as of May 31, 2024. As more fully described in Notes 2 and 3 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.



Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity.
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 Accounting Standards, 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 to 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 the 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 judgment 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 risk 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 year 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 on the audit resulting in this independent auditor's report is Catherine Tai.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

October 1, 2024

HANNAN METALS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	May 31, 2024 \$	May 31, 2023 \$
ASSETS			
Current assets			
Cash		945,438	3,318,801
GST/VAT receivable		11,592	23,655
Prepaid expenses		<u>105,982</u>	<u>97,842</u>
Total current assets		<u>1,063,012</u>	<u>3,440,298</u>
Non-current assets			
Equipment	4	29,443	23,152
Exploration and evaluation assets	5	<u>5,786,289</u>	<u>8,234,616</u>
Total non-current assets		<u>5,815,732</u>	<u>8,257,768</u>
TOTAL ASSETS		<u>6,878,744</u>	<u>11,698,066</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	<u>325,161</u>	<u>347,540</u>
TOTAL LIABILITIES		<u>325,161</u>	<u>347,540</u>
SHAREHOLDERS' EQUITY			
Share capital	6	19,438,834	19,313,969
Share-based payments reserve		5,758,975	4,966,037
Deficit		<u>(18,644,226)</u>	<u>(12,929,480)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>6,553,583</u>	<u>11,350,526</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>6,878,744</u>	<u>11,698,066</u>

Nature of Operations - Note 1

Events after the Reporting Period - Note 12

These consolidated financial statements were approved for issue by the Board of Directors on October 1, 2024 and are signed on its behalf by:

/s/ Nick DeMare
 Nick DeMare
 Director

/s/ Michael Hudson
 Michael Hudson
 Director

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

HANNAN METALS LTD.
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Year Ended May 31,	
		2024 \$	2023 \$
Expenses			
Accounting and administration	7(b)(ii)	81,492	76,833
Audit		55,000	49,500
Corporate development		88,259	98,833
Depreciation	4	5,118	4,511
Director and officer compensation	7	240,686	243,135
Drill core storage		11,682	11,204
General exploration		121,470	115,606
Insurance		24,424	20,150
Investor relations		24,038	84,830
Legal		12,700	40,230
Office		25,117	36,808
Professional fees		136,017	127,776
Regulatory fees		13,382	15,035
Share-based compensation	6(d)	848,678	676,660
Shareholder costs		3,020	8,419
Transfer agent fees		10,478	12,816
Travel		65,563	11,426
		<u>1,767,124</u>	<u>1,633,772</u>
Loss before other items		<u>(1,767,124)</u>	<u>(1,633,772)</u>
Other items			
Interest income		89,895	85,195
Foreign exchange		43,091	35,051
Impairment of exploration and evaluation assets	5	<u>(4,080,608)</u>	<u>(190,458)</u>
		<u>(3,947,622)</u>	<u>(70,212)</u>
Net loss and comprehensive loss for the year		<u>(5,714,746)</u>	<u>(1,703,984)</u>
Basic and diluted loss per common share		<u>\$(0.05)</u>	<u>\$(0.02)</u>
Weighted average number of common shares outstanding- basic and diluted		<u>109,366,188</u>	<u>99,632,075</u>

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

HANNAN METALS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Year Ended May 31, 2024				
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Shareholders' Equity \$
	Number of Shares	Amount \$			
Balance at May 31, 2023	109,161,569	19,313,969	4,966,037	(12,929,480)	11,350,526
Common shares issued for:					
- share options exercised	396,500	69,125	-	-	69,125
Transfer on exercise of share options	-	55,740	(55,740)	-	-
Share-based compensation	-	-	848,678	-	848,678
Net loss for the year	-	-	-	(5,714,746)	(5,714,746)
Balance at May 31, 2024	<u>109,558,069</u>	<u>19,438,834</u>	<u>5,758,975</u>	<u>(18,644,226)</u>	<u>6,553,583</u>

	Year Ended May 31, 2023				
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Shareholders' Equity \$
	Number of Shares	Amount \$			
Balance at May 31, 2022	92,822,109	14,977,095	4,307,777	(11,225,496)	8,059,376
Common shares issued for:					
- private placements	16,224,460	4,331,515	-	-	4,331,515
- share options exercised	115,000	28,750	-	-	28,750
Share issue costs	-	(41,791)	-	-	(41,791)
Transfer on exercise of share options	-	18,400	(18,400)	-	-
Share-based compensation	-	-	676,660	-	676,660
Net loss for the year	-	-	-	(1,703,984)	(1,703,984)
Balance at May 31, 2023	<u>109,161,569</u>	<u>19,313,969</u>	<u>4,966,037</u>	<u>(12,929,480)</u>	<u>11,350,526</u>

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

HANNAN METALS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended May 31,	
	2024	2023
	\$	\$
Operating activities		
Net loss for the year	(5,714,746)	(1,703,984)
Adjustments for:		
Depreciation	5,118	4,511
Share-based compensation	848,678	676,660
Impairment of exploration and evaluation assets	4,080,608	190,458
Changes in non-cash working capital items:		
GST/VAT receivable	12,063	(16,990)
Prepaid expenses	(8,140)	(41,147)
Accounts payable and accrued liabilities	<u>(83,661)</u>	<u>64,001</u>
Net cash used in operating activities	<u>(860,080)</u>	<u>(826,491)</u>
Investing activities		
Exploration and evaluation asset expenditures, net of cost recoveries	(1,570,999)	(2,543,913)
Equipment purchases	<u>(11,409)</u>	<u>(6,119)</u>
Net cash used in investing activities	<u>(1,582,408)</u>	<u>(2,550,032)</u>
Financing activities		
Issuance of common shares	69,125	4,360,265
Share issue costs	<u>-</u>	<u>(41,791)</u>
Net cash provided by financing activities	<u>69,125</u>	<u>4,318,474</u>
Net change in cash during the year	(2,373,363)	941,951
Cash at beginning of year	<u>3,318,801</u>	<u>2,376,850</u>
Cash at end of year	<u>945,438</u>	<u>3,318,801</u>

Supplemental cash flow information - See Note 11

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

HANNAN METALS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(Expressed in Canadian Dollars)

1. Nature of Operations

Hannan Metals Ltd. (the “Company”) was incorporated under the provisions of the Company Act (British Columbia). The Company’s common shares currently trade on the TSX Venture Exchange (“TSXV”) under the symbol “HAN”. The Company’s principal, registered and records office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7.

The Company is a junior mineral exploration company engaged in the acquisition and exploration of mineral properties. As at May 31, 2024 the Company has not earned any production revenue, nor has it determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production. Mineral resource interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. As a mineral company in the exploration stage the ability of the Company to complete the exploration and development of its mineral property interests will be affected primarily by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

Certain of the Company’s primary mineral properties are located in Peru and, consequently, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

The Company has a history of losses with no operating revenues and, as at May 31, 2024, the Company had working capital of \$737,851. The Company’s San Martin JV Project is funded by an arms length party, as described in Note 5(a)(i), under an option agreement and its other mineral property interests and operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. In addition, the Company completed a private placement financing to raise \$3,707,730 in June 2024 and received a further \$67,750 on the exercise of share options as described in Note 12. Although management considers that the Company has adequate resources to maintain its core operations, conduct planned exploration programs on its existing exploration and evaluation assets and discharge its obligations as they become due in the next twelve months, the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financings in the past there can be no assurance that it will be able to do so in the future.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRIC Committee (“IFRIC”).

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. These consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Details of the Group

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

HANNAN METALS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

The subsidiaries of the Company are as follows:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
Hannan Metals BC Ltd.	Canada	100%
Hannan Metals Peru Ltd.	Canada	100%
Hannan Metals Ireland Limited	Ireland	100%
Hannan Metals Peru S.A.C.	Peru	100%
Hannan Resources Peru S.A.C.	Peru	100%
Hannan Servicios Peru S.A.C.	Peru	100%

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- (i) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- (ii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

HANNAN METALS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

- (i) The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.
- (ii) The assessment of any impairment of exploration and evaluation assets is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. In fiscal 2024 management made an impairment charge of \$4,080,608 (2023 - \$190,458) on certain of its exploration and evaluation assets, as described in Note 5.

3. Material Accounting Policy Information

Cash and Cash Equivalents

Cash includes cash on hand. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at May 31, 2024 and 2023 the Company did not have any cash equivalents.

Amounts Receivable

Receivables are recognized initially at fair value and classified as amortized cost. Receivables are subsequently measured at amortized cost using the effective interest method, less expected credit losses. At each reporting date, the Company records credit losses at an amount equal to the lifetime expected credit losses using a present value and probability-weighted model.

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as amortized cost initially at fair value and are subsequently measured at amortized cost using the effective interest method.

Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and evaluation of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

HANNAN METALS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(Expressed in Canadian Dollars)

3. Material Accounting Policy Information (continued)

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that an exploration expenditure is not expected to be recovered, it is charged to the results of operations.

Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Equipment is depreciated annually on a straight-line basis over the estimated useful life of the assets, at a rate of 10% - 25% for office equipment and field equipment.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statements of net loss and comprehensive loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

The Company compares the carrying value of equipment to estimated net recoverable amounts, based on the higher of fair value and discounted future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

Impairment of Non-financial Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

HANNAN METALS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(Expressed in Canadian Dollars)

3. Material Accounting Policy Information (continued)

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate and amount or timing of the underlying cash flows needed to settle the obligation. As at May 31, 2024 and 2023 the Company does not have any decommissioning obligations.

Financial Instruments

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value through profit or loss ("FVTPL"); (ii) those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

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3. Material Accounting Policy Information (continued)

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Current and Deferred Income Taxes

The tax expense comprises current and deferred tax. Tax is recognized separately in the statements of net loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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3. Material Accounting Policy Information (continued)

Deferred income tax relating to items recognized directly in equity or other comprehensive income (“OCI”) is recognized in equity or OCI and not in the statements of net loss and comprehensive loss.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss Per Share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the “if converted” method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share.

Foreign Currency Translation

Functional and Presentation Currency

The financial statements of each of the Company’s subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary’s functional currency. Each subsidiary’s functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Adoption of New Accounting Standards and New Accounting Pronouncements

The following amendments were adopted by the Company on June 1, 2023:

- (i) *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) - the amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.
- (ii) *Definition of Accounting Estimates* (Amendments to IAS 8) - the amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

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3. Material Accounting Policy Information (continued)

There was no impact on the Company's consolidated financial statements upon the adoption of these amendments.

Issued but Not Yet Effective

In April 2024, the IASB issued a new IFRS accounting standard to improve the reporting of financial performance. IFRS 18 - *Presentation and Disclosure in Financial Statements* replaces IAS 1 - *Presentation of Financial Statements*. The standard will become effective January 1, 2027, with early adoption permitted. The Company is in the process of assessing the impact of this new standard on the Company's consolidated financial statements.

4. Equipment

	Field Equipment \$	Office Equipment \$	Total \$
Cost:			
Balance at May 31, 2022	12,911	15,445	28,356
Additions	<u>1,692</u>	<u>4,427</u>	<u>6,119</u>
Balance at May 31, 2023	14,603	19,872	34,475
Additions	<u>-</u>	<u>11,409</u>	<u>11,409</u>
Balance at May 31, 2024	<u>14,603</u>	<u>31,281</u>	<u>45,884</u>
Accumulated Depreciation:			
Balance at May 31, 2022	(4,638)	(2,174)	(6,812)
Depreciation	<u>(1,612)</u>	<u>(2,899)</u>	<u>(4,511)</u>
Balance at May 31, 2023	(6,250)	(5,073)	(11,323)
Depreciation	<u>(1,660)</u>	<u>(3,458)</u>	<u>(5,118)</u>
Balance at May 31, 2024	<u>(7,910)</u>	<u>(8,531)</u>	<u>(16,441)</u>
Carrying Value:			
Balance at May 31, 2023	<u>8,353</u>	<u>14,799</u>	<u>23,152</u>
Balance at May 31, 2024	<u>6,693</u>	<u>22,750</u>	<u>29,443</u>

5. Exploration and Evaluation Assets

	<u>May 31, 2024</u>			<u>May 31, 2023</u>		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Peru						
- San Martin JV Project	-	442,750	442,750	-	457,274	457,274
- Valiente Project	1,082,562	4,260,977	5,343,539	708,636	3,004,237	3,712,873
Ireland - Clare Project	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,452,949</u>	<u>2,611,520</u>	<u>4,064,469</u>
	<u>1,082,562</u>	<u>4,703,727</u>	<u>5,786,289</u>	<u>2,161,585</u>	<u>6,073,031</u>	<u>8,234,616</u>

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5. Exploration and Evaluation Assets (continued)

	Peru			Ireland	Other	Total \$
	San Martin JV Project \$	Valiente Project \$	San Martin 100% Project \$	Clare Project \$	\$	
Balance at May 31, 2022	<u>427,624</u>	<u>1,258,470</u>	<u>270,199</u>	<u>3,921,552</u>	<u>3,316</u>	<u>5,881,161</u>
Exploration costs						
Assays	16,507	208,288	-	-	-	224,795
Community	7,828	-	-	-	-	7,828
Consulting	834,426	1,324,267	3,153	8,775	-	2,170,621
Drilling	-	-	-	134,142	-	134,142
Insurance	10,129	3,667	-	-	-	13,796
Legal	138	5,814	1,730	-	-	7,682
Logistics	273,021	317,964	2,753	-	-	593,738
Travel	-	8,937	-	-	-	8,937
VAT incurred	88,269	245,102	-	-	-	333,371
	<u>1,230,318</u>	<u>2,114,039</u>	<u>7,636</u>	<u>142,917</u>	<u>-</u>	<u>3,494,910</u>
Acquisition costs						
License applications and fees	162,742	215,490	90,555	-	-	468,787
Other						
Cost recoveries	(1,313,057)	-	-	-	-	(1,313,057)
Management fees	(106,727)	-	-	-	-	(106,727)
Reclassification	56,374	124,874	(181,248)	-	-	-
Impairment	-	-	(187,142)	-	(3,316)	(190,458)
	<u>(1,363,410)</u>	<u>124,874</u>	<u>(368,390)</u>	<u>-</u>	<u>(3,316)</u>	<u>(1,610,242)</u>
Balance at May 31, 2023	<u>457,274</u>	<u>3,712,873</u>	<u>-</u>	<u>4,064,469</u>	<u>-</u>	<u>8,234,616</u>
Exploration costs						
Assays	18,026	-	-	-	-	18,026
Community	17,636	3,854	-	-	-	21,490
Consulting	387,276	246,682	-	1,350	-	635,308
Equipment rental	42,460	56,325	-	-	-	98,785
Field workers	-	74,863	-	-	-	74,863
Geology	465,717	492,463	-	-	-	958,180
Insurance	7,346	4,294	-	-	-	11,640
Legal	32,772	22,929	-	-	-	55,701
Logistics	184,296	193,133	-	-	-	377,429
Travel	27,427	51,320	-	-	-	78,747
VAT incurred	84,820	110,877	-	-	-	195,697
	<u>1,267,776</u>	<u>1,256,740</u>	<u>-</u>	<u>1,350</u>	<u>-</u>	<u>2,525,866</u>
Acquisition costs						
License applications and fees	15,939	373,926	-	14,789	-	404,654
Other						
Cost recoveries	(1,184,542)	-	-	-	-	(1,184,542)
Management fees	(113,697)	-	-	-	-	(113,697)
Impairment	-	-	-	(4,080,608)	-	(4,080,608)
	<u>(1,298,239)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,378,847)</u>
Balance at May 31, 2024	<u>442,750</u>	<u>5,343,539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,786,289</u>

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5. Exploration and Evaluation Assets (continued)

(a) **Peru**

(i) *San Martin JV Project*

On November 27, 2020, as amended April 17, 2023 and April 17, 2024, the Company entered into a binding letter agreement for an option and joint venture agreement (the “Agreement”) with Japan Organization for Metals and Energy Security (“JOGMEC”). Under the Agreement, JOGMEC has the option to earn up to a 75% interest in mining concessions in San Martin Province of the Department of San Martin, northern Peru (the “San Martin JV Project”).

The Agreement grants JOGMEC the option to earn an initial 51% interest by funding US \$8,000,000 in project expenditures on the San Martin JV Project by March 31, 2027, subject to acceleration at JOGMEC’s discretion.

JOGMEC, at its election, can then earn:

- an additional 16% interest for a total 67% interest by achieving either a prefeasibility study or funding a further US \$12,000,000 in project expenditures in amounts of at least US \$1,000,000 per annum (for a US \$20,000,000 total expenditure); and,
- subject to owning a 67% interest, a further 8% interest for a total 75% interest by achieving either a feasibility study or funding a further US \$15,000,000 in project expenditures in amounts of at least US \$1,000,000 per annum (for a US \$35,000,000 total expenditure).

Should JOGMEC not proceed to a prefeasibility study or spend US \$20,000,000 in total, the Company shall have the right to purchase from JOGMEC for US \$1, a 2% interest, whereby the Company’s interest will be increased to 51% and JOGMEC’s interest will be reduced to 49%.

At the completion of a feasibility study, JOGMEC has the right to either:

- purchase up to an additional 10% interest from the Company (for a total 85% interest) at fair value as determined in accordance with internationally recognized professional standards by an agreed upon independent third-party valuator; or
- receive up to an additional 10% interest from the Company (for a total 85% interest) in consideration of JOGMEC’s agreement to fund development of the San Martin JV Project, by loan carrying the Company until the San Martin JV Project generates positive cash flow.

After US \$35,000,000 has been spent by JOGMEC and before a feasibility study has been achieved, both parties will fund expenditures pro rata or dilute via a standard industry dilution formula:

- if the interest in any party is diluted to less than 5% then that party’s interest will be automatically converted to a 2% net smelter royalty (“NSR”), and the other party may at any time purchase 1% of the 2% NSR for a cash payment of US \$1,000,000; and
- the Company will manage exploration at least until JOGMEC earns a 51% interest, after which the majority interest holder will be entitled to act as the operator of the San Martin JV Project.

(ii) *Valiente Project*

The Valiente Project is located in central eastern Peru.

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5. Exploration and Evaluation Assets (continued)

(iii) *San Martin 100% Project*

During fiscal 2023 the Company abandoned and impaired certain of its claim concessions and recorded an impairment of \$187,142. In addition certain concessions, totalling \$56,374, were transferred to the San Martin JV Project and \$124,874 to the Valiente Project. As a result, as of May 31, 2023 the Company no longer held any claim concessions in the San Martin 100% Project.

(b) **Ireland**

Clare Project

The Company holds a 100% interest in prospecting licences located in County Clare, Ireland (the “Licences”) pursuant to an assignment agreement. Under a separate asset purchase agreement dated June 3, 2016 (the “Asset Purchase Agreement”) between the Company and Lundin Mining Exploration Limited (“Lundin”), the Company purchased all exploration data associated with the Licences for cash payments totalling \$1,249,383 (US \$1,000,000). The Company is also required to pay Lundin a one-time bonus payment of US \$5,000,000 within the earlier of: (i) a decision to proceed with mine construction, or: (ii) within 90 days of the establishment of a commercial financing to finance capital costs for mine construction. Lundin retains a 2% net smelter return royalty on all sales of mineral products extracted from the area of land subject to the Licences, subject to a 0.5% buy back right of the Company for US \$5,000,000, which must be exercised within one year from the date of commercial production.

During fiscal 2024 the Company determined to relinquish certain of its non-core licenses as they come due for renewal. While the Company’s core licences remain in good standing the Company has determined to impair all capitalized exploration and evaluation costs on the Clare Project and, accordingly, recorded an impairment provision of \$4,080,608. The carrying value was impaired as full recovery of capitalized amount is in doubt.

(c) *Other*

During fiscal 2023 the Company recorded an impairment of \$3,316 for miscellaneous exploration and evaluation amounts incurred.

6. Share Capital

(a) *Authorized Share Capital*

The Company’s authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Equity Financings*

Fiscal 2024

During fiscal 2024 Company did not complete any equity financings. See also Note 12(a).

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6. Share Capital (continued)

Fiscal 2023

During fiscal 2023 the Company completed the following equity financings:

- (i) On September 23, 2022 the Company completed a private placement and issued 9,180,000 common shares of the Company at \$0.28 per share, to Teck Resources Limited (“Teck”), for cash proceeds of \$2,570,400. In connection with the private placement the Company granted Teck an equity participation right to maintain its pro-rata ownership in the Company for so long as Teck’s ownership in the Company remains greater than 5.0%.
- (ii) On May 9, 2023 the Company completed a non-brokered private placement and issued 7,044,460 units of the Company at \$0.25 per unit for gross proceeds of \$1,761,115. Each unit comprised one common share and one-half share purchase warrant. Each full warrant entitles the holder to purchase one additional share of the Company at an exercise price of \$0.35 expiring May 9, 2026. The Company has the right to force conversion of the warrants, if at any time from and after the date of issuance, the weighted average closing price of the Company’s common shares on the TSXV, equals or exceeds \$0.50 for 20 consecutive trading days. The expiry date of the warrants will then be 30 days from the date of issue of a news release announcing the forced conversion.

Directors and officers of the Company purchased a total of 180,000 units. In addition, Teck purchased 1,120,000 units of this private placement.

The Company paid a finder’s fee of \$2,250 cash to an arm’s length party.

The Company incurred a total of \$39,541 for legal and other costs associated with these private placements.

(c) **Warrants**

A summary of the number of common shares reserved pursuant to the Company’s outstanding warrants at May 31, 2024 and 2023 and the changes for the years ended on those dates, is as follows:

	2024		2023	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of year	3,522,230	0.35	2,000,000	0.35
Issued	-	-	3,522,230	0.35
Expired	-	-	<u>(2,000,000)</u>	0.35
Balance, end of year	<u>3,522,230</u>	0.35	<u>3,522,230</u>	0.35

As at May 31, 2024 the Company had warrants outstanding to purchase 3,522,230 common shares of the Company at an exercise price of \$0.35 per share, expiring May 9, 2026. See also Note 12(a).

(d) **Share Option Plan**

The Company has established a rolling share option plan (the “Plan”) in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company’s closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

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6. Share Capital (continued)

During fiscal 2024 the Company granted share options to purchase 4,510,000 (2023 - 3,998,000) common shares of the Company and recorded compensation expense of \$848,678 (2023 - \$676,660) on the vesting of the share options.

The fair value of share options granted during fiscal 2024 and 2023 was estimated using the Black-Scholes Option Pricing Model using the following assumptions:

	<u>2024</u>	<u>2023</u>
Risk-free interest rate	4.0%	3.60% - 3.81%
Estimated volatility	96%	90% - 94%
Expected life	5 years	3 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The estimated volatility was based on the historical share prices of the Company. The weighted average grant date fair value of all share options granted during fiscal 2024 was \$0.19 (2023 - \$0.17) per share option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at May 31, 2024 and 2023 and the changes for the years ended on those dates, is as follows:

	<u>2024</u>		<u>2023</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	5,373,000	0.29	4,770,000	0.27
Granted	4,510,000	0.25	3,998,000	0.28
Exercised	(396,500)	0.17	(115,000)	0.25
Expired	<u>(1,175,000)</u>	0.37	<u>(3,280,000)</u>	0.25
Balance, end of year	<u>8,311,500</u>	0.26	<u>5,373,000</u>	0.29

The following table summarizes information about the share options outstanding and exercisable at May 31, 2024:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
250,000	250,000	0.285	June 14, 2024
30,000	30,000	0.285	October 4, 2024
50,000	50,000	0.235	December 3, 2024
3,468,000	3,468,000	0.28	December 28, 2025
150,000	150,000	0.28	March 1, 2026
<u>4,363,500</u>	<u>4,338,500</u>	0.25	August 22, 2028
<u>8,311,500</u>	<u>8,286,500</u>		

See also Note 12(b).

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7. Related Party Transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

The Company has determined that key management personnel consists of the Chief Executive Officer (“CEO”), the President and the Chief Financial Officer (“CFO”) of the Company. During fiscal 2024 the Company incurred a total of \$305,004 (2023 - \$302,538) to key management personnel for their services which have been allocated based on the nature of the services provided: expensed \$151,186 (2023 - \$141,135) to director and officer compensation; and capitalized \$153,818 (2023 - \$161,403) to exploration and evaluation assets. As at May 31, 2024 \$33,217 (2023 - \$33,217) remained unpaid and has been included in accounts payable and accrued liabilities.

During fiscal 2024 the Company also recorded \$291,650 (2023 - \$249,050) share-based compensation for share options granted to the key management personnel.

The Company has a management agreement with its CEO which provides that in the event the CEO’s services are terminated without cause or upon a change of control of the Company, a termination payment of one year of compensation is payable. If the termination had occurred on May 31, 2024 the amount payable under the agreement would be \$120,000.

The Company has a management agreement with its President which provides that in the event the President’s services are terminated without cause or upon a change of control of the Company, a termination payment of one year of compensation is payable. If the termination had occurred on May 31, 2024 the amount payable under the agreement would be \$170,004.

(b) *Transactions with Other Related Parties*

(i) During fiscal 2024 the Company incurred \$89,500 (2023 - \$102,000) director and officer compensation with respect to the positions of non-management directors and the Corporate Secretary of the Company. As at May 31, 2024 \$115,500 (2023 - \$115,500) remained unpaid and has been included in accounts payable and accrued liabilities.

During fiscal 2024 the Company also recorded \$323,000 (2023 - \$259,250) share-based compensation for share options granted to non-executive directors.

(ii) During fiscal 2024 the Company incurred a total of \$39,800 (2023 - \$42,350) for accounting and administration services provided by Chase Management Ltd. (“Chase”), a private corporation owned by a director of the Company. As at May 31, 2024 \$4,300 (2023 - \$5,000) remained unpaid and has been included in accounts payable and accrued liabilities.

During fiscal 2024 the Company also recorded \$28,500 (2023 - \$nil) share-based compensation for share options granted to Chase.

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8. Income Tax

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2024 \$	2023 \$
Loss before income taxes	<u>(5,714,746)</u>	<u>(1,703,984)</u>
Expected income tax (recovery)	(1,543,000)	(460,000)
Effect of change in tax rates and other	597,000	(23,000)
Permanent differences	224,000	183,000
Share issue costs	-	(11,000)
Adjustment to prior years provision versus statutory provision	(387,000)	-
Change in unrecognized deductible temporary differences	<u>1,109,000</u>	<u>311,000</u>
Total income tax expense (recovery)	<u>-</u>	<u>-</u>

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2024 \$	2023 \$
Deferred tax assets (liabilities)		
Exploration and evaluation assets	700,000	52,000
Property and equipment	15,000	5,000
Share issue costs	8,000	22,000
Allowable capital losses	125,000	125,000
Non-capital losses available for future periods	<u>3,647,000</u>	<u>3,182,000</u>
	4,495,000	3,386,000
Unrecognized deferred tax assets	<u>(4,495,000)</u>	<u>(3,386,000)</u>
Net deferred tax assets	<u>-</u>	<u>-</u>

The significant components of the Company's unrecognized temporary differences and unused tax losses are as follows:

	2024		2023	
	\$	Expiry Dates	\$	Expiry Dates
Exploration and evaluation assets	4,717,000	No expiry date	176,000	No expiry date
Property and equipment	53,000	No expiry date	16,000	No expiry date
Share issue costs	29,000	2045 to 2047	81,000	2044 to 2047
Allowable capital losses	462,000	No expiry date	462,000	No expiry date
Non-capital losses available for future periods:				
- Canada	12,719,000	2028 to 2044	11,092,000	2028 to 2043
- Ireland	1,306,000	No expiry date	1,189,000	No expiry date
- Peru	169,000	No expiry date	132,000	No expiry date

Tax attributes are subject to review and potential adjustment by tax authorities.

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9. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss (“FVTPL”); amortized cost; and fair value through other comprehensive income (“FVOCI”). The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	May 31, 2024 \$	May 31, 2023 \$
Cash	Amortized cost	945,438	3,318,801
Accounts payable and accrued liabilities	Amortized cost	(325,161)	(347,540)

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for cash and accounts payable and accrued liabilities approximate their fair value due to the short term to maturity.

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to cash. Management believes that the credit risk concentration with respect to cash is remote as cash is held with high quality financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at May 31, 2024				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	945,438	-	-	-	945,438
Accounts payable and accrued liabilities	(325,161)	-	-	-	(325,161)

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9. Financial Instruments and Risk Management (continued)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash is not considered significant. The Company has no interest bearing debt.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar. The Company maintains foreign currency bank accounts to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At May 31, 2024, 1 Canadian Dollar was equal to 2.73 Peruvian Nuevo Soles, 0.67 Euro, and 0.73 US Dollar.

Balances are as follows

	Nuevo Soles	Euros	US Dollars	CDN \$ Equivalent
Cash	92,103	2,208	203,104	315,257
VAT receivable	-	3,288	-	4,907
Accounts payable and accrued liabilities	<u>(401,930)</u>	<u>(1,846)</u>	<u>(12,000)</u>	<u>(166,421)</u>
	<u>(309,827)</u>	<u>3,650</u>	<u>191,104</u>	<u>153,743</u>

Based on the net exposures as of May 31, 2024 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Peruvian Nuevo Sole, Euro and US Dollar would result in the Company's loss and comprehensive loss being approximately \$14,000 higher (or lower).

Capital Risk Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors 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 defines capital that it manages as share capital and cash. The Company will continue to assess new properties and 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. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any currently contemplated. There have been no changes to the Company's approach to capital management during the year.

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10. Segmented Information

The Company operates in one reportable segment, being the exploration and evaluation of unproven exploration and evaluation assets. The Company's exploration and evaluation assets are located in Ireland and Peru and its corporate assets, comprising mainly of cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results.

The Company's total assets are segmented geographically as follows:

	<u>As at May 31, 2024</u>			
	<u>Canada</u>	<u>Ireland</u>	<u>Peru</u>	<u>Total</u>
	\$	\$	\$	\$
Current assets	654,394	10,967	397,651	1,063,012
Equipment	-	-	29,443	29,443
Exploration and evaluation assets	-	-	5,786,289	5,786,289
	<u>654,394</u>	<u>10,967</u>	<u>6,213,383</u>	<u>6,878,744</u>
	<u>As at May 31, 2023</u>			
	<u>Canada</u>	<u>Ireland</u>	<u>Peru</u>	<u>Total</u>
	\$	\$	\$	\$
Current assets	2,972,843	42,868	424,587	3,440,298
Equipment	-	-	23,152	23,152
Exploration and evaluation assets	-	4,064,469	4,170,147	8,234,616
	<u>2,972,843</u>	<u>4,107,337</u>	<u>4,617,886</u>	<u>11,698,066</u>

11. Supplemental Cash Flow Information

During fiscal 2024 and 2023 non-cash activities conducted by the Company as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Operating activity		
Accounts payable and accrued liabilities	<u>61,282</u>	<u>-</u>
Investing activity		
Exploration and evaluation assets	<u>(61,282)</u>	<u>-</u>
Financing activities		
Share-based payments reserve	<u>(55,740)</u>	<u>(18,400)</u>
Issuance of common shares	<u>55,740</u>	<u>18,400</u>
	<u>-</u>	<u>-</u>

12. Events after the Reporting Period

- (a) On June 27, 2024 the Company completed a non-brokered private placement of 10,593,513 units at \$0.35 per unit, for total proceeds of \$3,707,730. Each unit comprised one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.50 per share on or before June 27, 2026. Directors and officers of the Company purchased a total of 258,571 units of the private placement.

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12. Events after the Reporting Period (continued)

(b) Subsequent to May 31, 2024 the Company:

- (i) issued 250,000 common shares on the exercise of share options for \$67,750;
- (ii) issued 32,142 common shares on a cashless basis on the exercise of 100,000 share options;
- (iii) granted share options to purchase 2,036,700 common shares at an exercise price of \$0.60 per share expiring September 6, 2029.