

# **PALAMINA CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2023 AND 2022**

(Expressed in Canadian Dollars)  
(Unaudited)

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying condensed consolidated interim financial statements of Palamina Corp. (the "Company") are the responsibility of the management and Board of Directors of the Company.

The condensed consolidated interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the condensed consolidated interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the condensed consolidated interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the condensed consolidated interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the condensed consolidated interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the condensed consolidated interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

*(signed) "Andrew Thomson"*  
Andrew Thomson  
President and Chief Executive Officer

*(signed) "Michael Farrant"*  
Michael Farrant  
Chief Financial Officer

Toronto, Canada  
November 29, 2023

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### NOTICE TO READER

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

The accompanying condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of management. The condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2023 and 2022 have not been reviewed by the Company's auditor.

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# PALAMINA CORP.

## Condensed Consolidated Interim Statements of Financial Position

As at

(Unaudited)

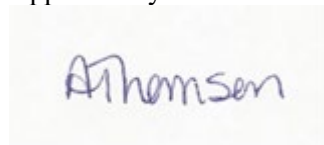
(Expressed in Canadian Dollars)	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 8,226	\$ 81,302
HST receivable	4,683	9,562
Prepaid expenses	Note 6	165,810
	<b>169,381</b>	256,674
<b>Non-current assets</b>		
Equipment	Note 7	32,045
Investment in associate	Notes 16, 17	-
		11,114
<b>Total Assets</b>	<b>\$ 201,426</b>	<b>\$ 306,092</b>
<b>LIABILITIES AND DEFICIENCY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	Notes 8,12	\$ 442,569
Due to related party	Note 12	16,500
		-
<b>Total Liabilities</b>	<b>534,100</b>	442,569
<b>Shareholders' Deficiency</b>		
Share capital	Note 9	9,934,658
Stock option reserve	Note 10	1,198,286
Warrant reserve	Note 11	1,947,000
Foreign currency translation		(50,675)
Deficit		(12,716,031)
	<b>(11,299,031)</b>	(12,716,031)
<b>Total Shareholders' Deficiency</b>	<b>(332,674)</b>	(136,477)
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>\$ 201,426</b>	<b>\$ 306,092</b>

*Nature of Operations and Going Concern (Note 1)*

*Commitments and Contingencies (Note 14)*

*Subsequent Events (Note 17)*

Approved by the Board of Directors and authorized on November 29, 2023:



Andrew Thomson  
Director



Christina McCarthy  
Director

*The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.*

# PALAMINA CORP.

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

### For the periods ended

(Unaudited)

(Expressed in Canadian Dollars)	Three Months Ended September 30,		Nine Months Ended September 30,		
	2023	2022	2023	2022	
<b>Expenses</b>					
Exploration and evaluation expenditures	Note 13	\$ 149,036	\$ 311,929	\$ 527,331	\$ 1,283,099
Salaries, director and management fees	Note 12	54,778	70,015	209,689	222,599
Investor relations		30,617	45,273	70,364	120,257
Shareholder costs and filing fees		8,744	11,482	44,491	28,760
Professional fees		11,857	7,867	42,528	46,047
Office and general		11,050	9,918	43,089	36,829
Depreciation	Note 7	1,994	2,195	6,162	5,970
Share-based compensation	Notes 10,12	-	1,000	300	25,700
<b>Total expenses</b>		<b>268,076</b>	<b>459,679</b>	<b>943,954</b>	<b>1,769,261</b>
<b>Other (income) expense</b>					
Bank charges		881	764	2,279	1,752
Loss on foreign exchange		3,258	1,059	5,997	3,545
Interest income		(450)	(1,594)	(527)	(5,884)
Advance royalty	Note 16	(67,715)	(64,685)	(67,715)	(64,685)
Share of loss of associate	Note 16	-	45,380	11,114	150,445
<b>Net loss for the period</b>		<b>204,050</b>	<b>440,603</b>	<b>895,102</b>	<b>1,854,434</b>
<b>Other comprehensive loss - items that will not subsequently reclassify into income</b>					
Exchange on translation of foreign subsidiaries		1,541	(2,603)	27,455	10,374
<b>Net comprehensive loss for the period</b>		<b>\$ 205,591</b>	<b>\$ 438,000</b>	<b>\$ 922,557</b>	<b>\$ 1,864,808</b>
<b>Net Loss per share</b>					
Basic and diluted loss per share		\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.03
Weighted average number of shares outstanding - basic and diluted		71,284,836	65,284,836	67,658,462	65,284,836

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

## PALAMINA CORP.

### Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited)

(Expressed in Canadian Dollars)	Share Capital		Reserves		Foreign Currency Translation	Deficit	Total
	Number of shares	Amount	Stock Options	Warrants			
<b>Balance at December 31, 2021</b>	<b>65,284,836</b>	<b>\$ 9,457,488</b>	<b>\$ 1,178,044</b>	<b>\$ 2,215,000</b>	<b>\$ (15,707)</b>	<b>\$ (10,692,817)</b>	<b>\$ 2,142,008</b>
Expiry of warrants	-	-	-	(268,000)	-	268,000	-
Expiry of stock options	-	-	(78,924)	-	-	78,924	-
Share-based compensation	-	-	25,700	-	-	-	25,700
Net loss for the period	-	-	-	-	-	(1,854,434)	(1,854,434)
Other comprehensive loss	-	-	-	-	(10,374)	-	(10,374)
<b>Balance at September 30, 2022</b>	<b>65,284,836</b>	<b>9,457,488</b>	<b>1,124,820</b>	<b>1,947,000</b>	<b>(26,081)</b>	<b>(12,200,327)</b>	<b>302,900</b>
Expiry of stock options	-	-	(22,409)	-	-	22,409	-
Share-based compensation	-	-	95,875	-	-	-	95,875
Net loss for the period	-	-	-	-	-	(538,113)	(538,113)
Other comprehensive loss	-	-	-	-	2,861	-	2,861
<b>Balance at December 31, 2022</b>	<b>65,284,836</b>	<b>9,457,488</b>	<b>1,198,286</b>	<b>1,947,000</b>	<b>(23,220)</b>	<b>(12,716,031)</b>	<b>(136,477)</b>
Shares issued for cash as part of unit financing	6,000,000	750,000	-	-	-	-	750,000
Warrants issued as part of unit financing	-	(247,800)	-	247,800	-	-	-
Share issue costs	-	(25,030)	-	1,090	-	-	(23,940)
Expiry of warrants	-	-	-	(1,947,000)	-	1,947,000	-
Expiry of stock options	-	-	(278,132)	-	-	278,132	-
Cancellation of stock options	-	-	(86,970)	-	-	86,970	-
Share-based compensation	-	-	300	-	-	-	300
Net loss for the period	-	-	-	-	-	(895,102)	(895,102)
Other comprehensive loss	-	-	-	-	(27,455)	-	(27,455)
<b>Balance at September 30, 2023</b>	<b>71,284,836</b>	<b>\$ 9,934,658</b>	<b>\$ 833,484</b>	<b>\$ 248,890</b>	<b>\$ (50,675)</b>	<b>\$ (11,299,031)</b>	<b>\$ (332,674)</b>

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

# PALAMINA CORP.

## Condensed Consolidated Interim Statements of Cash Flows For the periods ended (Unaudited)

(Expressed in Canadian Dollars)	Nine Months Ended September 30,	
	2023	2022
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (895,102)	\$ (1,854,434)
Adjustments not affecting cash:		
Share-based compensation	Note 10           300	25,700
Depreciation	Note 7           6,162	5,970
Unrealized foreign exchange differences	(27,358)	(12,611)
Share of loss of associate	Note 16       11,114	150,445
Operating cash flows before changes in non-cash working capital:	(904,884)	(1,684,930)
Changes in non-cash working capital:		
HST receivable	4,879	37,655
Prepaid expenses	9,338	110,203
Accounts payable and accrued liabilities	75,031	(199,108)
Cash used in operating activities	(815,636)	(1,736,180)
<b>Cash flows from investing activities</b>		
Purchase of equipment	Note 7           -	(6,079)
Investment in associate	-	(93,000)
Cash used in investing activities	-	(99,079)
<b>Cash flows from financing activities</b>		
Proceeds from private placement	Note 9       750,000	-
Share issue costs	Note 9       (23,940)	-
Advance from related party	Note 12       16,500	-
Cash provided by financing activities	742,560	-
<b>Decrease in cash and cash equivalents during the period</b>	<b>(73,076)</b>	<b>(1,835,259)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>81,302</b>	<b>2,233,309</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 8,226</b>	<b>\$ 398,050</b>
Supplemental cash flow information:		
Value of finder warrants issued	Note 11       \$ 1,090	\$ -

*The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.*

# **PALAMINA CORP.**

## **Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022**

(Expressed in Canadian dollars)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Palamina Corp. (“Palamina” or the “Company”) is an exploration stage company focused on the exploration for economic mineral deposits in Peru through its wholly owned subsidiary Palamina SAC (“Palamina Peru”) and to a much lesser degree, through its wholly owned Mexican subsidiary Palamina S.A. de C.V. (“Palamina Mexico”).

Palamina was incorporated on April 23, 2015 under the *Business Corporations Act* (Ontario). The Company is listed on the TSX Venture Exchange (“TSX-V”) having the symbol PA and on the OTCQB under the symbol PLMNF. The Company’s head office is located at 145 King Street West, Suite 2870 Toronto, Ontario M5H 1J8.

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profitable levels of operations. Changes in future conditions could require material write downs of the carrying values.

The business of mineral exploration involves a high degree of risk and there can be no assurance that the Company’s exploration programs will result in profitable operations. The recoverability of the Company’s exploration and evaluation expenditures is dependent upon the discovery of economically recoverable mineral reserves; securing and maintaining title and beneficial interest in the properties; the ability to obtain the necessary financing to complete exploration, development and construction of processing facilities; obtaining various government approvals; and attaining profitable production or alternatively, upon the Company’s ability to dispose of its interests on an advantageous basis; all of which are uncertain.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, non-compliance with regulatory requirements or aboriginal land claims. The Company’s exploration property interests may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

The Company is at an early stage of development and, as is common with many exploration companies, it relies on financings to fund its exploration and acquisition activities. The Company had a working capital deficiency at September 30, 2023 of \$364,719 (December 31, 2022 - \$185,895), had not yet achieved profitable operations, had accumulated losses of \$11,299,031 at September 30, 2023 (December 31, 2022 - \$12,716,031) and expects to incur further losses in the development of its business. Palamina does not have adequate cash resources to fund its operations over the next twelve months and will require additional financing in order to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. There can be no certainty as to the ability of the Company to raise sufficient additional financing in order to continue to operate, and accordingly, there is a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

# **PALAMINA CORP.**

## **Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022**

(Expressed in Canadian dollars)

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### **2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

#### **Statement of compliance**

These unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and 2022 (the “Financial Statements”) have been prepared in accordance with International Accounting Standards (“IAS”) 34 “*Interim Financial Reporting*” (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and include interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The preparation of these unaudited condensed consolidated interim financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expense. In management’s opinion, all adjustments considered necessary for a fair presentation have been included in these unaudited condensed interim financial statements. Interim results are not necessarily indicative of the results expected for the financial year. Actual annual results may differ from interim estimates. The significant judgments made by management applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2022. For a description of the Company’s critical accounting estimates and assumptions, please refer to the Company’s audited consolidated financial statements and related notes for the year ended December 31, 2022.

#### **Basis of Presentation**

These Financial Statements have been prepared on the historical cost basis, except for financial instruments designated at fair value through profit and loss, which are stated at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

These Financial Statements do not include all the information required for full annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended December 31, 2022. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes to the Company’s financial position and performance since the last audited annual consolidated financial statements.

Certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications did not affect prior period net losses.

These financial statements are presented in Canadian dollars, which is the Company's functional currency.



## **PALAMINA CORP.**

### **Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022**

(Expressed in Canadian dollars)

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## **2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)**

### **Adoption of New Accounting Standards**

These Financial Statements have been prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements for the year ended December 31, 2022. The Company adopted the following accounting standards and amendments to accounting standards, effective January 1, 2023:

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The adoption of the new standard did not impact the financial statements of the Company.

IAS 1 – In February 2021, the IASB issued ‘Disclosure of Accounting Policies’ with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The adoption of the new standard did not impact the financial statements of the Company.

IAS 8 – In February 2021, the IASB issued ‘Definition of Accounting Estimates’ to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023. This amendment did not have a material impact on the Company’s financial statements

### **New Accounting Standards Issued but Not Yet Effective**

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after September 30, 2023:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) effective for annual periods beginning on or after January 1, 2024.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases) effective for annual periods beginning on or after January 1, 2024.
- IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined. Early adoption is permitted.

None of these pronouncements are expected to have a significant impact on the Company's financial statements upon adoption. The Company does not intend to early adopt these standards

### **Approval of the Financial Statements**

These Financial Statements of the Company for the periods ended September 30, 2023 and 2022 were approved and authorized for issue by the Board of Directors on November 29, 2023.

## **PALAMINA CORP.**

### **Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022**

(Expressed in Canadian dollars)

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#### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT**

##### **Use of Estimates and Judgment**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities, profits and expenses. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2022.

#### **4. FINANCIAL INSTRUMENTS**

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The Company does not use derivative financial instruments for purposes other than risk management. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up to date market information. A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

##### **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 the prices of commodities and equities.

##### **Price risk**

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to gold and silver to determine the appropriate course of action to be taken by the Company.

# PALAMINA CORP.

## Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

### 4. FINANCIAL INSTRUMENTS (Continued)

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears interest at market rates. In the event that the Company held interest bearing debt, the Company could be exposed to interest rate risk. The Company does not have any interest-bearing debt. Other current financial assets and liabilities are not exposed to interest rate risk because of their short-term nature.

#### Foreign currency risk

The Company's exploration activities are conducted primarily in Peru. Major purchases and exploration expenditures are transacted in Peruvian soles and US dollars. Administrative expenditures and cash balances are primarily transacted in Canadian dollars. The Company has exposure to foreign currency risk. The Company mitigates the risk of foreign currency fluctuations by converting Canadian currency to Peruvian soles and US dollars when required to fund expenditures in those currencies.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash. The Company has reduced its credit risk by investing its cash with a Canadian chartered bank.

#### Liquidity risk

The Company's approach to managing liquidity risk is to endeavor to have sufficient liquidity to meet liabilities when due. As at September 30, 2023, the Company had current assets of \$169,381 (December 31, 2022 - \$256,674) including cash of \$8,226 (December 31, 2022 - \$81,302) to settle current liabilities of \$534,100 (December 31, 2022 - \$442,569) resulting in a working capital deficiency at September 30, 2023 of \$364,719 (December 31, 2022 - \$185,895).

The Company's financial assets and liabilities as at September 30, 2023 and December 31, 2022 were as follows:

	Amortized Cost	FVTPL	Total
<b>December 31, 2022</b>			
Financial assets			
Cash	\$ 81,302	\$ -	\$ 81,302
HST receivable	\$ 9,562	\$ -	\$ 9,562
Financial liabilities			
Accounts payable and accrued liabilities	\$ 442,569	\$ -	\$ 442,569
<b>September 30, 2023</b>			
Financial assets			
Cash	\$ 8,226	\$ -	\$ 8,226
HST receivable	\$ 4,683	\$ -	\$ 4,683
Financial liabilities			
Accounts payable and accrued liabilities	\$ 517,600	\$ -	\$ 517,600
Due from related party	\$ 16,500	\$ -	\$ 16,500

The fair values of these financial instruments approximate their carrying values because of their short-term nature.

## **PALAMINA CORP.**

### **Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022**

(Expressed in Canadian dollars)

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#### **4. FINANCIAL INSTRUMENTS (Continued)**

##### **Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the next 12-month period:

- (i) Interest rate risk is limited to cash balances, primarily held in Canadian and US dollars in Canada.
- (ii) The Company's subsidiaries hold financial assets and liabilities denominated in the U.S. dollar and Peruvian sol, that give rise to foreign exchange risk. If the U.S. dollar rose or fell in relation to the Canadian dollar by 5% with all other variables held constant, net comprehensive loss for the nine months ended September 30, 2023 would have been approximately \$1,000 higher/lower. If the Peruvian sol rose or fell in relation to the Canadian dollar by 5% with all other variables held constant, accumulated other comprehensive loss for the nine months ended September 30, 2023 would have been approximately \$100 higher/lower.
- (iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even if commercial quantities of valuable minerals may be produced in the future, a profitable market will exist for them. As of September 30, 2023, the Company is not a producer of minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

#### **5. CAPITAL MANAGEMENT**

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize the return to shareholders through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and the industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, reserve accounts and accumulated deficit, which at September 30, 2023 totaled a deficiency of \$332,674 (December 31, 2022 – deficiency of \$136,477).

Palamina manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating and capital expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the nine months ended September 30, 2023.

The Company is not subject to any capital requirements imposed by lending institutions.

## PALAMINA CORP.

### Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

#### 6. PREPAID EXPENSES

On June 10, 2021, Palamina entered into a services agreement with Goldspot Discoveries Corp. (“Goldspot”). The service agreement provided for a pre-payment of \$350,000 for strategic technical services to be provided by Goldspot to Palamina over a 12-month period. During the nine months ended September 30, 2023 \$nil was incurred in consulting services (September 30, 2022 - \$108,575).

The prepaid balance as at September 30, 2023 is comprised of \$120,016 (December 31, 2022 - \$120,016) in advances to Goldspot as well as insurance and other advance fees and deposits amounting to \$36,456 (December 31, 2022 - \$45,794).

#### 7. EQUIPMENT

	<b>Equipment</b>
<b>Cost</b>	
As at December 31, 2022	\$ 64,483
Foreign exchange translation	(115)
<b>As at September 30, 2023</b>	<b>64,368</b>
<b>Accumulated depreciation</b>	
As at December 31, 2022	26,168
Depreciation expense	6,162
Foreign exchange translation	(7)
<b>As at September 30, 2023</b>	<b>32,323</b>
<b>Net book value - September 30, 2023</b>	<b>\$ 32,045</b>
	<b>Equipment</b>
<b>Cost</b>	
As at December 31, 2021	\$ 42,727
Additions	18,081
Foreign exchange translation	3,675
<b>As at December 31, 2022</b>	<b>64,483</b>
<b>Accumulated depreciation</b>	
As at December 31, 2021	16,270
Depreciation expense	8,168
Foreign exchange translation	1,741
<b>As at December 31, 2022</b>	<b>26,179</b>
<b>Net book value - December 31, 2022</b>	<b>\$ 38,304</b>

All equipment is located in Peru and owned by Palamina Peru.

## PALAMINA CORP.

### Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

#### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is typically 30 days contingent on the availability of working capital. See note 15 for a breakdown of accounts payable and accrued liabilities by geographic region.

The following is an aged analysis of the accounts payable and accrued liabilities:

	September 30, 2023	December 31, 2022
Less than 1 month	\$ 24,301	\$ 13,409
Over 1 month	493,299	429,160
<b>Total trade and other payables</b>	<b>\$ 517,600</b>	<b>\$ 442,569</b>

#### 9. SHARE CAPITAL

- Authorized: An unlimited number of common shares with no par value
- Issued and outstanding:

	Number of Shares	Amount
<b>Balance at December 31, 2021 and 2022</b>	<b>65,284,836</b>	<b>\$ 9,457,488</b>
Private placement of \$0.125 units – June 15, 2023	(i) 6,000,000	750,000
Less: warrant valuation	(i) -	(247,800)
Less: finder warrants	(i) -	(1,090)
Share issue costs – cash	(i) -	(23,940)
<b>Balance at September 30, 2023</b>	<b>71,284,836</b>	<b>\$ 9,934,658</b>

- On June 15, 2023, the Company closed a non-brokered private placement for gross proceeds of \$750,000 through the issuance of 6,000,000 units at a price of \$0.125 per unit. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder thereof to purchase one common share at an exercise price of \$0.25 for a period of 24 months until June 15, 2025. The issue date fair value of the warrants was estimated to be \$247,800 based on their Black-Scholes value, using assumptions in Note 11.

The Company paid a cash finder's fee of \$2,625 and issued 21,000 finder warrants. Each finder warrant is exercisable into one common share of the Company at a price of \$0.125 per share for a period of 24 months until June 15, 2025. The issue date fair value of the warrants was estimated to be \$1,090 based on their Black-Scholes value, using assumptions in Note 11. The Company also incurred \$21,315 of other share issue costs including legal fees and stock exchange listing fees.

## PALAMINA CORP.

### Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

#### 10. STOCK OPTIONS

On September 15, 2015, the Company adopted a stock option plan (the “Plan”) under which the Board of Directors of the Company may grant options to directors, officers, employees and consultants to purchase common shares of the Company. The maximum number of common shares reserved for issuance under the Plan at any point in time may not exceed 10% of the number of shares issued and outstanding. The purpose of the Plan is to attract, retain and motivate directors, officers, employees, and certain third-party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. Options granted under the Plan are non-assignable and vest over various terms from the date of grant.

As at September 30, 2023, the Company had 2,943,483 (December 31, 2022 – 913,483) options available for issuance under the Plan.

The following table reflects the continuity of stock options for the nine months ended September 30, 2023 and year ended December 31, 2022:

	Number of Stock Options	Weighted Average Exercise Price
<b>Balance – December 31, 2021</b>	<b>4,835,000</b>	<b>\$0.30</b>
Granted	1,400,000	\$0.12
Expired	(620,000)	\$0.21
<b>Balance – December 31, 2022</b>	<b>5,615,000</b>	<b>\$0.26</b>
Expired	(1,015,000)	\$0.33
Cancelled	(415,000)	\$0.21
<b>Balance – September 30, 2023</b>	<b>4,185,000</b>	<b>\$0.24</b>

#### Stock Option Grants

On April 8, 2022, the Company granted options to purchase up to 250,000 common shares of the Company to consultants at an exercise price of \$0.17 per share for a period of three years. The options vested immediately. The Company recorded \$26,425 of share-based compensation, being the entire grant date fair value.

On November 29, 2022, the Company granted options to purchase up to 1,150,000 common shares of the Company to certain officers, directors and consultants at an exercise price of \$0.11 per share. The options granted to officers and directors expire in five years, and the options granted to consultants expire in three years. The options vested immediately. The Company recorded \$69,020 and \$20,430 of share-based compensation with respect to the five-year and three-year options, respectively, being the entire grant date fair value.

The fair value of the options in the above noted grants, are estimated on the dates of grant using the Black-Scholes option pricing model with the following assumptions:

Grant Date	Stock Price	Exercise Price	Risk-free Interest Rate	Expected Stock Price Volatility	Expected Life (in years)	Expected Dividend Rate	Expected Forfeiture Rate
April 8, 2022	\$0.165	\$0.17	2.47%	104%	3	0%	0%
November 29, 2022	\$0.105	\$0.11	3.24%	105%	5	0%	0%
November 29, 2022	\$0.105	\$0.11	3.71%	105%	3	0%	0%

## **PALAMINA CORP.**

### **Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022**

(Expressed in Canadian dollars)

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#### **10. STOCK OPTIONS (Continued)**

##### **Stock Option Expiries**

On January 13, 2022, options to purchase up to 450,000 common shares of the Company at an exercise price of \$0.22 per share, granted on January 13, 2017 to directors, officers and consultants of the Company, expired unexercised. Grant date fair value of \$78,924 was transferred from stock option reserve to deficit.

On November 1, 2022, options to purchase up to 170,000 common shares of the Company at an exercise price of \$0.17 per share, granted on November 1, 2017 to a director and employee of the Company, expired unexercised. Grant date fair value of \$22,409 was transferred from stock option reserve to deficit.

On April 6, 2023, stock options to purchase up to 400,000 common shares of the Company at an exercise price of \$0.39 per share, granted on April 6, 2018 to directors and officers of the Company, expired unexercised. Grant date fair value of \$141,333 was transferred from stock option reserve to deficit.

On May 29, 2023, stock options to purchase up to 335,000 common shares of the Company at various exercise prices, granted at various dates to a former director and former officer of the Company, expired unexercised six months after their departures from the Company. Aggregate grant date fair value of \$87,275 was transferred from stock option reserve to deficit.

On June 10, 2023, stock options to purchase up to 150,000 common shares of the Company at an exercise price of \$0.25 per share, granted on June 10, 2018 to a consultant, expired unexercised. Grant date fair value of \$26,000 was transferred from stock option reserve to deficit.

On September 9, 2023, stock options to purchase up to 130,000 common shares of the Company at an exercise price of \$0.30 per share, granted on September 9, 2020 to consultants, expired unexercised. Grant date fair value of \$23,524 was transferred from stock option reserve to deficit.

As a result of stock option expiries during the nine months ended September 30, 2023, aggregate grant date fair value of \$278,132 (September 30, 2022 - \$78,924) was transferred from stock option reserve to deficit.

##### **Stock Option Cancellations**

On March 31, 2023, options to purchase up to 100,000 common shares of the Company, represented by the following original grants, were cancelled:

- 40,000 three-year options granted at an exercise price of \$0.30 on September 9, 2020 to a consultant, having a grant date fair value of \$7,238; and
- 60,000 three-year options granted at an exercise price of \$0.33 on July 17, 2021 to a consultant, having a grant date fair value of \$14,562.

On June 30, 2023, options to purchase up to 315,000 common shares of the Company, represented by the following original grants, were cancelled:

- 25,000 five-year options granted at an exercise price of \$0.25 on December 19, 2019 to a consultant, having a grant date fair value of \$5,437;
- 25,000 five-year and 40,000 three-year options granted at an exercise price of \$0.30 on September 9, 2020 to a consultant and an employee, having grant date fair values of \$7,007 and \$7,238, respectively;



## PALAMINA CORP.

### Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

#### 10. STOCK OPTIONS (Continued)

- 135,000 three-year options granted at an exercise price of \$0.33 on July 17, 2021 to employees and consultants, having aggregate grant date fair value of \$32,764;
- 50,000 three-year options granted at an exercise price of \$0.28 on October 29, 2021 to an employee, having a grant date fair value of \$10,000; and
- 40,000 three-year options granted at an exercise price of \$0.11 on November 29, 2022 to an employee, having a grant date fair value of \$2,724.

As a result of stock option cancellations during the nine months ended September 30, 2023, aggregate grant date fair value of \$86,970 (September 30, 2022 - \$nil) was transferred from stock option reserve to deficit.

The following table reflects the stock options outstanding and exercisable at September 30, 2023:

Grant Date	Number of options		Exercise Price	Expiry Date	Remaining contractual life (years)	Grant Date Fair Value
	Outstanding	Exercisable				
December 19, 2019	745,000	745,000	\$0.25	December 19, 2024	1.22	\$ 162,019
September 9, 2020	635,000	635,000	\$0.30	September 9, 2025	1.94	177,973
July 17, 2021	695,000	695,000	\$0.33	July 17, 2024	0.79	168,674
July 17, 2021	750,000	750,000	\$0.33	July 17, 2026	2.79	211,667
April 8, 2022	250,000	250,000	\$0.17	April 8, 2025	1.52	26,425
November 29, 2022	850,000	850,000	\$0.11	November 29, 2027	4.16	69,020
November 29, 2022	260,000	260,000	\$0.11	November 29, 2025	2.16	17,706
	<b>4,185,000</b>	<b>4,185,000</b>	<b>\$0.24</b>		<b>2.21</b>	<b>\$ 833,484</b>

The weighted average remaining contractual life of options outstanding and exercisable at September 30, 2023 is 2.21 years (December 31, 2022 – 2.54 years) at a weighted average exercise price of \$0.24 (December 31, 2022 - \$0.26).

#### 11. WARRANTS

The following table reflects the continuity of warrants for the nine months ended September 30, 2023 and year ended December 31, 2022:

	Number of Warrants	Issue Date Fair Value
<b>Balance – December 31, 2021</b>	<b>24,494,800</b>	<b>\$ 2,215,000</b>
Expired	(4,446,800)	(268,000)
<b>Balance – December 31, 2022</b>	<b>20,048,000</b>	<b>1,947,000</b>
Expired	(20,048,000)	(1,947,000)
Issued pursuant to private placement	6,000,000	247,800
Finder warrants issued pursuant to private placement	21,000	1,090
<b>Balance – September 30, 2023</b>	<b>6,021,000</b>	<b>\$ 248,890</b>

## PALAMINA CORP.

### Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

#### 11. WARRANTS (Continued)

##### Warrant Issuances

The Company issued 6,000,000 common share purchase warrants exercisable at \$0.25 and 21,000 finder warrants exercisable at \$0.125 pursuant to a non-brokered private placement that closed on June 15, 2023 (see Note 9(b)(i)). The warrants are outstanding for 24 months to June 15, 2025, and have estimated issue date fair values of \$247,800 and \$1,090, respectively which were estimated using the Black-Scholes option pricing model using the following assumptions:

Issue Date	Stock Price	Exercise Price	Risk-free Interest Rate	Expected Stock Price Volatility	Expected Life (in years)	Expected Dividend Rate	Expected Forfeiture Rate
June 15, 2023	\$0.08	\$0.25	4.49%	138%	2	0%	0%
June 15, 2023	\$0.08	\$0.125	4.49%	138%	2	0%	0%

##### Warrant Expiries

On May 25, 2022, 4,400,000 warrants and 15,600 finder warrants, at an exercise price of \$0.35 per share and 31,200 finder warrants at an exercise price of \$0.125 per share, all issued on May 25, 2020, expired unexercised. Aggregate issue date fair value of \$268,000 was transferred from warrant reserve to deficit.

On June 18, 2023, 20,000,000 warrants at an exercise price of \$0.40 per share and 48,000 finder warrants at an exercise price of \$0.25 per share, issued on June 18, 2021, expired unexercised. Aggregate issue date fair value of \$1,947,000 was transferred from warrant reserve to deficit.

As at September 30, 2023, the following warrants were outstanding. The warrants entitle the holders to purchase the stated number of common shares at the exercise price on or before the expiry date:

Warrants Outstanding	Exercise Price	Weighted Average Remaining Life (years)	Expiry Date	Issue Date Fair Value
6,000,000	\$0.25	1.71	June 15, 2025	\$ 247,800
21,000	\$0.125	1.71	June 15, 2025	1,090
6,021,000	\$0.25	1.71		\$ 248,890

#### 12. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

##### Key Management Compensation

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company. Current key management of Palamina includes the Company's directors and officers.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Management fees – President and CEO	\$ 29,167	\$ 43,750	\$ 131,250	\$ 131,250
Management fees – CFO services	15,000	16,250	45,000	48,750
Directors' fees	6,940	13,875	20,815	41,625
Total fees paid to management and directors	\$ 51,107	\$ 73,875	\$ 197,065	\$ 221,625

## **PALAMINA CORP.**

### **Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022**

(Expressed in Canadian dollars)

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#### **12. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (Continued)**

##### *Related Party Transactions*

On January 18, 2022, the Company received a payment of US\$20,438 (CDN\$25,910) from its associate Winshear, in respect of the reimbursement of amounts owing to the Company as at December 31, 2021.

On August 19, 2022, Palamina purchased 1,550,000 units of Winshear's private placement for \$93,000 to hold 13,422,000 shares of Winshear (see Note 16).

On August 25, 2022, the Company received a payment of US\$79,667 (CDN\$102,965) from its associate Winshear. US\$50,000 (CDN\$64,685) was in respect of the 2022 advance royalty payment due September 19, 2022 and US\$29,667 (CDN\$38,280) in respect of the reimbursement of amounts owing to the Company for the period January 1 to June 30, 2022.

On December 9, 2022, the Company received a payment of US\$20,761 (CDN\$28,298) from its associate Winshear, in respect of the reimbursement of amounts owing to the Company for the period July 1 to December 31, 2022.

On June 8, 2023, the Company received a payment of US\$9,900 (CDN\$13,224) from its associate Winshear, in respect of the reimbursement of amounts owing to the Company for the period January 1 to June 30, 2023.

On June 15, 2023, directors of the Company subscribed for 1,370,000 units at a price of \$0.125 per unit for proceeds of \$171,250, as part of the 6,000,000 unit non-brokered private placement closed by Palamina on that date (see Note 9(b)(i)).

On August 18, 2023, the Company received a payment of US\$4,950 (CDN\$6,708) from its associate Winshear, in respect of the reimbursement of amounts owing to the Company for the period July 1 to September 30, 2023.

On August 21, 2023, the Company received a payment of US\$50,000 (CDN\$67,715) from Winshear, in respect of the 2023 advance royalty payment due September 19, 2023.

At September 30, 2023, \$20,566 (December 31, 2022 - \$90,835) included in accounts payable and accrued liabilities was owing to related parties. These amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

During the nine months ended September 30, 2023, the Company's President and CEO advanced funds to the Company. The advances are unsecured, non-interest bearing and have no fixed terms for repayment. As at September 30, 2023, due to related party was \$16,500 (December 31, 2022 - \$nil).

See Note 17 for further information on transactions involving Winshear subsequent to September 30, 2023.

## PALAMINA CORP.

### Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

#### 13. EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenses for the Company are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Peru Properties	\$ 107,777	\$ 295,190	\$ 462,372	\$ 1,228,821
El Santuario Property	41,259	16,739	64,959	54,278
	<b>\$ 149,036</b>	<b>\$ 311,929</b>	<b>\$ 527,331</b>	<b>\$ 1,283,099</b>

##### Peru Properties

Palamina Peru has application and mining rights to certain concessions within the Department of Puno in southeast Peru, and the Department of Ica in the Peruvian coast south of Lima.

##### El Santuario Property

Palamina Mexico holds 100% title interest to the "El Santuario" concession which makes up the El Santuario Property located in the State of Hidalgo, Mexico.

#### 14. COMMITMENTS AND CONTINGENCIES

Under the terms of the Company's mining concessions, the Company must make periodic tax payments and perform minimum levels of exploration to maintain these concessions in good standing. Failure to meet these requirements would lead to the forfeiture of the Company's rights to these properties.

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

#### 15. SEGMENTED INFORMATION

As at September 30, 2023, the Company's operations comprise a single operating segment engaged in mineral exploration in Peru and Mexico. The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8, 'Operating Segments'. As the operations comprise a single operating segment for accounting purposes, amounts disclosed in the consolidated financial statements also represent operating segment amounts.

The following is a breakdown of the Company's identifiable assets by geographical location:

As at September 30, 2023	Canada	Peru	Mexico	Total
Cash	\$ 7,225	\$ 1,001	\$ -	\$ 8,226
HST receivable	4,683	-	-	4,683
Prepaid expenses	156,472	-	-	156,472
Equipment	-	32,045	-	32,045
	<b>\$ 168,380</b>	<b>\$ 33,046</b>	<b>\$ -</b>	<b>\$ 201,426</b>

## PALAMINA CORP.

### Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

#### 15. SEGMENTED INFORMATION (Continued)

<b>As at December 31, 2022</b>	<b>Canada</b>	<b>Peru</b>	<b>Mexico</b>	<b>Total</b>
Cash	\$ 56,875	\$ 22,440	\$ 1,987	\$ 81,302
HST receivable	9,562	-	-	9,562
Prepaid expenses	165,810	-	-	165,810
Equipment	-	38,304	-	38,304
Investment in associate	11,114	-	-	11,114
	<b>\$ 243,361</b>	<b>\$ 60,744</b>	<b>\$ 1,987</b>	<b>\$ 306,092</b>

The following is a breakdown of the Company's liabilities by geographical location:

<b>As at September 30, 2023</b>	<b>Canada</b>	<b>Peru</b>	<b>Mexico</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 144,774	\$ 31,027	\$ 341,799	\$ 517,600
Due to related party	16,500	-	-	16,500
	<b>\$ 161,274</b>	<b>\$ 31,027</b>	<b>\$ 341,799</b>	<b>\$ 534,100</b>

<b>As at December 31, 2022</b>				
Accounts payable and accrued liabilities	\$ 172,223	\$ 22,290	\$ 248,056	\$ 442,569

#### 16. INVESTMENT IN ASSOCIATE

On September 19, 2019, the Company entered into an agreement with Winshear Gold Corp. ("Winshear") whereby Palamina sold 100% of the application and mining rights to the Gaban Gold and Tinka I.O.C.G. projects in Peru to Winshear ("Winshear Sale"). In exchange, Palamina was issued 5,000,000 shares of Winshear during the year ended December 31, 2019 and another 5,000,000 common shares of Winshear during the year ended December 31, 2020.

Palamina retained a 2% Net Smelter Return ("NSR") royalty on each property. Winshear has the right to purchase 50% of the royalty by making a cash payment of \$1,000,000 to Palamina at any time prior to the commencement of commercial production. Winshear made an Advance Royalty Payment ("ARP") of US\$25,000 to Palamina on September 19, 2020 and 2021. The ARP will double every two years, beginning September 19, 2022 (paid), until such time that Winshear has either completed a total of 5,000 metres of drilling or has abandoned the properties. On August 25, 2022, Winshear paid US\$50,000 (CDN\$64,685) to Palamina in respect of the September 19, 2022 ARP. Palamina acts as operator of the two projects and two of Winshear's directors have been appointed by Palamina.

On August 19, 2022, Winshear closed a private placement unit financing at \$0.06 per unit. Each unit consisted of one common share and one half of one common share purchase warrant. Each full warrant is exercisable into one common share of Winshear at a price of \$0.10 per share for a period of 24 months until August 19, 2024. Palamina purchased 1,550,000 units of the private placement for \$93,000 and received 1,550,000 common shares of Winshear and 775,000 warrants.

Due to Palamina's shareholdings in Winshear and having appointed two directors to the board of Winshear, the Company has determined that it has significant influence over Winshear and has accounted for its investment as an Investment in Associate using the equity basis of accounting.

As at September 30, 2023, Palamina held 13,422,000 common shares or 17.04% (December 31, 2022 – 13,422,000 common shares or 18.53%) of Winshear. Fair value of one Winshear common share as at September 30, 2023 was \$0.245 (December 31, 2022 - \$0.055) which is based on the trading price of the shares.

## **PALAMINA CORP.**

### **Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2023 and 2022**

(Expressed in Canadian dollars)

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#### **16. INVESTMENT IN ASSOCIATE (Continued)**

Changes in the investment in associate for the nine months ended September 30, 2023 and year ended December 31, 2022 were as follows:

	<b>Shares</b>	<b>Amount</b>
<b>Balance – December 31, 2021</b>	<b>11,872,000</b>	<b>\$ 105,065</b>
Purchased through private placement of units	1,550,000	93,000
Proportionate share of net loss	-	(186,951)
<b>Balance – December 31, 2022</b>	<b>13,422,000</b>	<b>11,114</b>
Proportionate share of net loss	-	(11,114)
<b>Balance – September 30, 2023</b>	<b>13,422,000</b>	<b>\$ -</b>

As at September 30, 2023, Winshear had 78,765,318 common shares issued and outstanding (December 31, 2022 – 72,440,318). See Note 17 for further information on transactions involving Winshear subsequent to September 30, 2023.

#### **17. SUBSEQUENT EVENTS**

On September 19, 2023, the Company's associate Winshear, announced that it had suspended arbitration proceedings with the United Republic of Tanzania ("Tanzania") in relation to its dispute regarding the SMP Gold Project in Tanzania and that a conditional settlement agreement had been reached. On October 16, 2023, Winshear, announced that it had successfully concluded the settlement with Tanzania in the amount of US\$30.0 million and that after payment of various amounts, including legal costs, the net amount paid to Winshear was US\$18,455,305 million (CDN\$25,275,000). The settlement was not recorded as an asset by Winshear as at September 30, 2023, as the settlement was not virtually certain until the cash was received on October 16, 2023 from Tanzania. As such, Palamina's proportionate share of the income arising from this settlement will be recorded in the three-month period ended December 31, 2023.

On October 26, 2023, Winshear announced that its board of directors had approved a cash distribution to Winshear shareholders by way of a return of capital of CDN\$0.25 per share to shareholders of record as at November 23, 2023, with the payment to occur on December 8, 2023.

On November 10, 2023, Palamina sold 243,000 shares of Winshear at \$0.27 per share for net proceeds of \$65,425.

On November 10, 2023, Palamina exercised warrants in Winshear to purchase 775,000 common shares of Winshear at a price of \$0.10 per share for proceeds to Winshear of \$77,500.

On November 17, 2023, Palamina exercised warrants in Winshear to purchase 546,000 common shares of Winshear at a price of \$0.20 per share for proceeds to Winshear of \$109,200.

Following the sale of Winshear shares and exercise of warrants, Palamina currently holds 14,500,000 common shares of Winshear and expects to receive proceeds of \$3,625,000 as a return of capital on December 8, 2023.