



**PAMPA METALS CORPORATION**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited - Expressed in Canadian Dollars)**

**AS AT JUNE 30, 2023**

**AND**

**FOR THE THREE AND SIX MONTHS ENDED**  
**JUNE 30, 2023 AND 2022**

### **Notice to Reader**

The accompanying unaudited condensed consolidated interim financial statements of Pampa Metals Corporation have been prepared by and are the responsibility of management. The unaudited condensed consolidated interim financial statements as at June 30, 2023 and for the three and six months ended June 30, 2023 and 2022 have not been reviewed by the Company's auditors.

**PAMPA METALS CORPORATION****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited - Expressed in Canadian Dollars)

As at	June 30 2023	December 31 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 215,300	\$ 404,633
GST Recoverable	89,646	69,884
Prepaid expenses	53,577	92,720
<b>Total current assets</b>	<b>358,523</b>	<b>567,237</b>
<b>Non-current assets</b>		
Equipment	28,754	34,456
Mineral property interests (Note 3)	6,918,973	4,855,222
<b>Total non-current assets</b>	<b>6,947,727</b>	<b>4,889,678</b>
<b>TOTAL ASSETS</b>	<b>\$ 7,306,250</b>	<b>\$ 5,456,915</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 257,034	\$ 280,194
<b>Total liabilities</b>	<b>257,034</b>	<b>280,194</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	14,607,255	12,159,947
Commitment to issue shares (Note 5)	-	132,825
Warrant reserve (Note 5)	1,234,901	1,049,260
Contributed surplus (Note 5)	1,320,388	788,605
Accumulated deficit	(10,113,328)	(8,953,916)
<b>Total shareholders' equity</b>	<b>7,049,216</b>	<b>5,176,721</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 7,306,250</b>	<b>\$ 5,456,915</b>

**Nature of operations and going concern** (Note 1)

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on August 28, 2023.

**Approved by the Board of Directors**

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"Joseph van den Elsen" Director

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"Adrian Manger" Director

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

**PAMPA METALS CORPORATION****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian Dollars)

	Three months ended June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
<b>Expenses</b>				
Consulting fees	\$ 4,175	\$ 217,125	\$ 4,175	\$ 227,125
Depreciation	2,851	2,527	5,703	5,144
Director and management fees (Note 6)	90,000	175,761	180,000	329,836
General and administration	50,697	61,806	131,943	85,485
Investor relations and communication	50,497	455,004	100,527	759,089
Professional fees (Note 6)	99,280	73,752	174,733	126,744
Share-based compensation (Notes 5 and 6)	515,403	93,520	531,783	186,012
Shareholder information	13,703	24,669	27,674	40,253
	<u>826,606</u>	<u>1,104,164</u>	<u>1,156,538</u>	<u>1,759,688</u>
<b>Loss before other items</b>	(826,606)	(1,104,164)	(1,156,538)	(1,759,688)
<b>Other items</b>				
Gain on debt settlement (Note 5)	15,556	-	16,556	-
Interest income	-	15	-	427
Foreign exchange loss	(14,233)	(35,943)	(19,430)	(30,341)
<b>Loss and comprehensive loss</b>	<u>\$ (825,283)</u>	<u>\$ (1,140,092)</u>	<u>\$ (1,159,412)</u>	<u>\$ (1,789,602)</u>
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.04)
Weighted average number of shares outstanding - basic and diluted	72,399,116	48,587,732	65,740,680	46,275,269

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

**PAMPA METALS CORPORATION****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited - Expressed in Canadian Dollars)

	Six months ended June 30 2023	Six months ended June 30 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,159,412)	\$ (1,789,602)
Items not affecting cash:		
Share-based compensation	531,783	186,012
Common shares issued for services	47,444	118,000
Unrealized foreign exchange effect	(3,056)	-
Depreciation of equipment	5,703	5,144
Changes in non-cash operating working capital items		
GST Recoverable	(19,762)	(53,144)
Prepaid expenses	39,143	(315,122)
Accounts payable and accrued liabilities	(86,835)	193,740
<b>Net cash used in operating activities</b>	<b>(644,992)</b>	<b>(1,654,972)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures on mineral properties	(1,975,931)	(660,164)
<b>Net cash used in investing activities</b>	<b>(1,975,931)</b>	<b>(660,164)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares, net of share issuance costs	2,430,180	1,618,530
<b>Net cash provided by financing activities</b>	<b>2,430,180</b>	<b>1,618,530</b>
Effect of exchange rate changes on cash	1,410	-
<b>Change in cash</b>	<b>(189,333)</b>	<b>(696,606)</b>
<b>Cash, beginning</b>	<b>404,633</b>	<b>1,333,960</b>
<b>Cash, ending</b>	<b>\$ 215,300</b>	<b>\$ 637,354</b>
<b>Non-cash investing an financing activities</b>		
Mineral property interests in accounts payable	\$ 87,820	\$ -

**PAMPA METALS CORPORATION**

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited - Expressed in Canadian Dollars)

	Number of shares	Share capital	Commitment to issue shares	Warrant reserve	Contributed surplus	Deficit	Total equity
<b>Balance as at December 31, 2021</b>	43,432,261	\$ 9,858,337	\$ -	\$ 995,314	\$ 628,464	\$ (4,901,567)	\$ 6,580,548
Issuance of common shares for services	393,332	118,000	-	-	-	-	118,000
Issuance of units in private placement	5,447,365	1,634,210	-	-	-	-	1,634,210
Share issuance costs	-	(15,680)	-	-	-	-	(15,680)
Fair value of broker warrants issued	-	(4,126)	-	4,126	-	-	-
Share-based compensation	-	-	-	-	186,012	-	186,012
Net loss and comprehensive loss	-	-	-	-	-	(1,789,602)	(1,789,602)
<b>Balance as at June 30, 2022</b>	49,272,958	11,590,741	-	999,440	814,476	(6,691,169)	6,713,488

	Number of shares	Share capital	Commitment to issue shares	Warrant reserve	Contributed surplus	Deficit	Total equity
<b>Balance as at December 31, 2022</b>	53,911,846	12,159,947	132,825	1,049,260	788,605	(8,953,916)	5,176,721
Issuance of units in private placement	17,044,332	2,508,649	-	48,001	-	-	2,556,650
Settlement of commitment to issue shares	805,000	132,825	(132,825)	-	-	-	-
Units issued for services	166,667	22,500	-	-	-	-	22,500
Common shares issued for services	364,954	47,444	-	-	-	-	47,444
Cash share issuance costs	-	(126,470)	-	-	-	-	(126,470)
Non-cash share issuance costs	-	(78,827)	-	-	-	-	(78,827)
Fair value of broker units issued	344,143	58,504	-	-	-	-	58,504
Fair value of broker common shares issued	156,333	20,323	-	-	-	-	20,323
Fair value of broker warrants issued	-	(137,640)	-	137,640	-	-	-
Share-based compensation	-	-	-	-	531,783	-	531,783
Net loss and comprehensive loss	-	-	-	-	-	(1,159,412)	(1,159,412)
<b>Balance as at June 30, 2023</b>	72,793,275	\$ 14,607,255	\$ -	\$ 1,234,901	\$ 1,320,388	\$(10,113,328)	\$ 7,049,216

## **PAMPA METALS CORPORATION**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

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

Pampa Metals Corporation (the "Company" or "Pampa") is a mining exploration company focused on exploration of copper and gold projects in northern Chile. The Company was incorporated under the British Columbia Business Corporations Act in 1999. The Company's head office and records office is 501 – 543 Granville Street, Vancouver, British Columbia. The Company's registered office is 1200 - 750 West Pender Street, Vancouver, British Columbia. The Company trades on the Canadian Securities Exchange (the "CSE"; CSE: PM); the Frankfurt Stock Exchange (FSE: FIRA); and on the OTCQB Best Market (OTCQB: PMMCF).

The Company's financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company is in the process of exploring its mineral property interests and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of mineral property interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of its mineral properties and upon future profitable production.

Several conditions cast doubt on the validity of the going concern assumption. The Company has incurred losses since inception and an accumulated deficit of \$10,113,328 as at June 30, 2023. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition and exploration of mineral property interests, is dependent on the Company's ability to obtain necessary financing. Management is planning to raise additional capital to finance operations and exploration activities. The ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. These circumstances indicate that material uncertainties exist that may cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of compliance**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") have been condensed or omitted, and accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022.

##### **Basis of Measurement**

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

##### **Functional and Presentation Currency**

The condensed consolidated interim financial statements have been prepared in Canadian dollars ("CAD"), which is the Company's presentation currency. The functional currency of the Company and its subsidiary is the Canadian dollar.

##### **Basis of consolidation**

The consolidation of the financial statements incorporates the financial statements of the Company and its wholly owned subsidiary. The results of subsidiaries acquired or disposed of during the periods presented are included in these consolidated statements of loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. An investor controls an investee if the investor has the power over the investee, has the exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the

## **PAMPA METALS CORPORATION**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

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## **2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

### **Basis of consolidation (cont'd...)**

investee to affect the amount of the investee's returns. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

The Company has one wholly owned subsidiary, Pampa Metals Chile SpA which is incorporated in Chile.

### **Accounting standard amendment issued but not yet effective**

#### **IAS 1 - Presentation of Financial Statements**

In January 2020, the IASB issued an amendment to IAS 1, Presentation of Financial Statements, to clarify one of the requirements under the standard for classifying a liability as non-current in nature. The amendment includes:

- Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
- Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- Clarifying how lending conditions affect classification; and
- Clarifying if the settlement of a liability refers to the transfer of cash, equity instruments, other assets or services.

The Company will perform an assessment of the amendment on its financial statements prior to the effective date of January 1, 2024. Based on the currently available information, the Company does not anticipate any material impact from this amendment on its financial statements.

### **Newly adopted accounting standards**

#### **Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued an amendment to IAS 1, Presentation of Financial Statements and IFRS Practice Statement 2. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from January 1, 2023. The amendments did not have a significant impact to the Company's condensed consolidated interim financial statements.



## PAMPA METALS CORPORATION

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

### 3. MINERAL PROPERTY INTERESTS

#### *Copper Exploration Properties*

During the year-ended December 31, 2020, the Company acquired a 100% interest in eight copper exploration properties consisting of the Morros Blancos, Cerro Blanco, Cerro B. Aires, Redondo Veronica, Block 2, Block 3, Block 4 and Arrieros projects (collectively the "projects") in northern Chile from Revelo Resources Corp. ("Revelo").

The projects are subject to the following royalty agreements:

<b>Project Name</b>	<b>Royalty Holder</b>	<b>Royalty</b>
Arrieros	Maverix Metals Inc.	1.00% Net Smelter Return ("NSR") on all minerals
Arrieros	EMX Chile SpA	1.00% NSR on all minerals
Redondo Veronica	EMX Royalty Corp.	1.00% NSR on all minerals
Block 3	EMX Royalty Corp.	1.00% NSR on all minerals
Block 4	EMX Royalty Corp.	1.00% NSR on all minerals
Cerro Blanco	EMX Royalty Corp.	2.00% NSR on all minerals
Cerro B. Aires	EMX Royalty Corp.	2.00% NSR on all minerals
Morros Blancos	Franco-Nevada Corp.	2.00% NSR on precious metals, and 1.00% NSR on base metals
Morros Blancos	EMX Royalty Corp.	1.00% NSR on all minerals

The Company acquired the projects in Chile by paying Revelo US\$300,000 in cash and issuing 7,798,747 common shares. In addition, Revelo may receive contingent payments of US\$2,000,000 on a project-by-project basis (up to a total of US\$16,000,000) on the completion of the first bankable feasibility study on a given project, and a further contingent payments of US\$3,000,000 on a project-by-project basis (up to a total of US\$24,000,000) upon the initiation of commercial production on a given project.

During the year ended December 31, 2021, the Company issued 1,090,649 common shares to Revelo to satisfy an anti-dilution right held by Revelo.

As at June 30, 2023, the timeline for the completion of the first bankable feasibility study and the initiation of commercial production on any of the projects has not been determined.

During the year ended December 31, 2022, the Company abandoned one of the eight copper projects acquired from Revelo (the "Block 2 project") and concurrently reduced the footprint of another project (the "Arrieros project"). As a result, management determined that the recoverable value of the Block 2 project was \$Nil as at December 31, 2022 and a full impairment was taken. Management estimated the recoverable value of the Arrieros project based on the remaining 900 hectares retained for exploration on the project, and a partial impairment was recorded as at December 31, 2022.

On July 23, 2021, the Company entered into an option agreement (the "Agreement") with Revelo as a subsidiary of Austral Gold Limited ("Austral") that grants Austral an option to earn up to an 80% joint venture ownership interest in two of the projects named Cerro Blanco and Morros Blancos (collectively, the "Properties") held by the Company. During the three months ended June 30, 2023, the option agreement was amended to exclude the Cerro Blanco property. Subsequent to June 30, 2023, the Agreement expired.

As consideration for the option, Austral returned 2,963,132 common shares to the Company, terminated certain rights of Austral including a board nomination right, an anti-dilution right and certain rights to contingent payments on the Properties and refunded the pro rata portion of the Company's 2021 annual license fee incurred on the Properties. On August 10, 2021, the Company cancelled the 2,963,132 common shares returned, credited the amount of \$1,037,096 against the mineral property interest and credited the refunded license fee of \$59,381 against the mineral property interest.

**PAMPA METALS CORPORATION****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

**3. MINERAL PROPERTY INTERESTS (Cont'd...)***VerAI Discoveries, Inc.*

During the year ended December 31, 2022, the Company signed a definitive agreement with VerAI Discoveries, Inc. ("VerAI"), whereby the Company could acquire up to a 75% joint venture ownership interest in certain exploration permits granted to VerAI's Chilean subsidiary through meeting minimum exploration expenditures over a five-year period. In December 2022, the Company terminated its agreement with VerAI with both parties mutually declaring that they have performed each of their obligations under the agreement. As a result of the agreement termination, the recoverable value of the mineral property interest was determined to be \$Nil and a full impairment was recorded as at December 31, 2022.

Below is the continuity of mineral property interests capitalized to the statement of financial position for the six months ended June 30, 2023:

	<b>For the six months ended June 30, 2023</b>
<b>Acquisition costs:</b>	
As at December 31, 2022 and June 30, 2023	\$ 1,552,688
<b>Exploration costs:</b>	
Beginning, December 31, 2022	3,302,534
Geological consulting	106,963
Drilling	1,566,534
Land fees	323,737
Other exploration costs	66,517
Subtotal	2,063,751
Ending, June 30, 2023	5,366,285
<b>MINERAL PROPERTY INTERESTS:</b>	
Beginning, December 31, 2022	4,855,222
Ending, June 30, 2023	6,918,973

**4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	June 30 2023	December 31 2022
Accounts payable	\$ 232,089	\$ 164,956
Accrued liabilities	24,945	115,238
	\$ 257,034	\$ 280,194

**5. SHARE CAPITAL****Authorized**

The Company is authorized to issue an unlimited number of common shares.

**Issued and outstanding***Six months ended June 30, 2023*

- (i) On March 2, 2023, the Company closed a private placement offering of 14,644,333 units at a price of \$0.15 per unit for gross proceeds of \$2,196,650. Each unit is comprised of one common share and one warrant of the Company. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.21 per share for a period of 36 months from the closing date of the offering. The residual value of the 14,644,333 warrants was estimated as \$Nil using the share price on the CSE on March 2, 2023 of \$0.17;

The Company issued 975,635 broker warrants and 344,143 broker units as finder's fees for the private placement. The fair value of the 975,635 broker warrants was estimated at \$111,343 using the Black-Scholes Option Pricing Model with the following assumptions: share price on issuance date of \$0.17, risk-free rate of 3.85%, dividend rate of 0%, expected life of 3 years, and volatility of 116%. The fair value of the 344,143 units was estimated as \$58,504 using the share price on the CSE on March 2, 2023 of \$0.17, \$Nil value was assigned to the attached warrants. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.21 for a period of 36 months;

## PAMPA METALS CORPORATION

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

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#### 5. SHARE CAPITAL (Cont'd...)

##### Issued and outstanding (Cont'd...)

*Six months ended June 30, 2023 (Cont'd...)*

The Company paid cash finder's fees of \$94,724; and

Concurrently with the March 2, 2023 private placement, the Company settled its commitment to issue shares as at December 31, 2022 of \$132,825, through the issuance of 805,000 common shares to former and current management and directors.

- (ii) On March 27, 2023, the Company issued 66,667 units to settle \$10,000 in accounts payable. The fair value of the 66,667 units issued was estimated at \$9,000 using the share price on the CSE on March 27, 2023 of \$0.135, and a resulting gain on debt settlement of \$1,000 was recognized. The residual value of the attached warrants was assigned a fair value of \$Nil. Each unit is comprised of one common share and one common share purchase warrant with an exercise price of \$0.21, expiring 3 years from issuance; and

The Company issued 100,000 units for services with a fair value of \$13,500 estimated using the share price on the CSE on March 27, 2023 of \$0.135. Each unit is comprised of one common share and one common share purchase warrant with an exercise price of \$0.21, expiring 36 months from issuance.

- (iii) On March 31, 2023, the Company closed a private placement offering of 2,399,999 units at a price of \$0.15 per unit for gross proceeds of \$360,000. Each unit is comprised of one common share and one purchase warrant of the Company with an exercise price of \$0.21 per share for a period of 36 months from the closing date of the offering. The residual value of the 2,399,999 warrants was estimated as \$48,001 using the share price on the CSE on March 31, 2023 of \$0.13;

The Company issued 324,333 broker warrants as finder's fees for the private placement. The fair value of the 324,333 broker warrants was estimated at \$26,297 using the Black-Scholes Option Pricing Model with the following assumptions: share price on issuance date of \$0.13, risk-free rate of 3.28%, dividend rate of 0%, expected life of 3 years, and volatility of 116%. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.21 for a period of 36 months from issuance; and

The Company paid Cash finder's fees of \$1,750 and issued 156,333 common shares as finder's fees with a fair value of \$20,323 estimated using the share price on the CSE on March 31, 2023 of \$0.13.

- (iv) On June 19, 2023, the Company signed a debt settlement agreement to issue 364,954 common shares to settle \$63,000 in accounts payable. The fair value of the 364,954 common shares was estimated at \$47,444 using the share price on the CSE on June 19, 2023 of \$0.13, and a resulting gain on debt settlement of \$15,556 was recognized.

*Six months ended June 30, 2022*

- (i) On March 7, 2022, the Company issued 315,401 common shares in consideration for services provided at a fair value of \$94,620 based on the Company's share price on the date of issuance;

- (ii) On March 21, 2022, the Company completed the first tranche of a private placement offering of 3,786,699 units at a price of \$0.30 per unit for gross proceeds to the Company of \$1,136,010. Each unit is comprised of one common share and one-half warrant of the Company. Each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.50 per share for a period of 24 months. The Company may reduce the exercise period of the warrants to 30 days from the date the Company provides notice to the warrant holders that the weighted average trading price of the common shares of the Company on the CSE is \$0.90 or greater for a period of 10 consecutive trading days. There was no residual value associated with the warrants issued in the private placement; and

Included in the offering, 700,000 units were issued to the former CEO of the Company. Of the proceeds raised, \$608,000 was repaid to certain subscribers and included in investor relations and communications expense, and \$182,010 was repaid to certain subscribers and included in consulting expense.

**PAMPA METALS CORPORATION****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

**5. SHARE CAPITAL (Cont'd...)****Issued and outstanding (Cont'd...)***Six months ended June 30, 2022 (Cont'd...)*

- (v) On May 6, 2022, the Company closed the second tranche of a private placement offering of 1,660,666 units at a price of \$0.30 per unit for gross proceeds of \$498,199. Each unit is comprised of one common share and one-half warrant of the Company. Each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.50 per share for a period of 24 months from the closing date. The Company may reduce the exercise period of the warrants to 30 days from the date the Company provides notice to the warrant holders that the weighted average trading price of the common shares of the Company on the CSE is \$0.90 or greater for a period of 10 consecutive trading days. The residual value of the 830,333 warrants was estimated as \$49,820 using the share price on the CSE on May 6, 2022 of \$0.27; and

The Company issued 31,500 broker warrants as finder's fees for the private placement. The fair value of the 31,500 broker warrants was estimated at \$4,126 using the Black-Scholes Option Pricing Model with the following assumptions: share price on issuance date of \$0.27, risk-free rates between 2.69%, dividend rate of 0%, expected life of between 2 years, and volatility of 119%.

- (vi) On May 3, 2022, the Company issued 77,931 common shares in consideration for services provided at a fair value of \$23,379 based on the Company's share price on the date of issuance.

**Warrants and broker warrants**

A summary of the Company's share purchase warrants and broker warrants for the six months ended June 30, 2023 is as follows:

	Outstanding	Weighted average exercise price
As at December 31, 2022	10,567,274	\$ 0.40
Warrants issued in private placement	17,044,332	0.20
Warrants issued with units for services	510,810	0.01
Broker warrants issued in private placement	1,299,968	0.21
Unit and broker warrants expired	(3,367,648)	0.60
<b>As at June 30, 2023</b>	<b>26,054,736</b>	<b>\$ 0.24</b>

As at June 30, 2023, the following warrants and broker warrants are outstanding:

Expiry date	Exercise price	Outstanding
<b>Warrants</b>		
March 21, 2024	\$ 0.50	1,893,350
May 6, 2024	\$ 0.50	830,333
November 10, 2025	\$ 0.19	4,444,443
March 2, 2026	\$ 0.21	14,988,476
March 27, 2026	\$ 0.21	166,667
March 31, 2026	\$ 0.21	2,399,999
		<b>24,723,268</b>
<b>Broker warrants</b>		
May 6, 2024	\$ 0.50	31,500
March 2, 2026	\$ 0.21	975,635
March 31, 2026	\$ 0.21	324,333
		<b>1,331,468</b>
<b>Total warrants and broker warrants</b>		<b>26,054,736</b>

**PAMPA METALS CORPORATION****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

**5. SHARE CAPITAL (Cont'd...)****Stock options**

During the three months ended June 30, 2023, the Company issued 5,000,000 stock options to key management personnel and consultants. The stock options have an exercise price of \$0.21, 4,250,000 stock options expire on April 3, 2028 and 750,000 stock options expire on April 18, 2028. All stock options issued during the three months ended June 30, 2023 vested immediately on issuance in April 2023. The fair value of the stock options granted of \$605,932 was determined using the Black-Scholes option pricing model with the following weighted average assumptions: 5 year expected life; share price at grant date of \$0.13, 159.00% volatility, risk free rate of 2.82%, and dividend yield of 0.00%.

The Company recorded share-based compensation expense of \$531,783 (2022 - \$186,012) for the six months ended June 30, 2023 with an offsetting amount to credited to contributed surplus.

A summary of the Company's stock options for the six months ended June 30, 2023 is as follows:

	Outstanding	Weighted average exercise price
As at December 31, 2022	2,600,000	0.45
Granted	5,000,000	0.21
Cancelled	(600,000)	0.45
<b>As at June 30, 2023</b>	<b>7,000,000</b>	<b>0.28</b>

The outstanding and exercisable stock options as at June 30, 2023 were as follows:

Expiry date	Exercise price	Outstanding	Exercisable
November 18, 2023	\$ 0.45	400,000	400,000
December 1, 2023	\$ 0.45	400,000	400,000
December 22, 2025	\$ 0.45	1,200,000	1,200,000
April 3, 2028	\$ 0.21	4,250,000	4,250,000
April 18, 2028	\$ 0.21	750,000	750,000
		<b>7,000,000</b>	<b>7,000,000</b>

**6. RELATED PARTY TRANSACTIONS**

Related parties include the Board of Directors, close family members, other key management individuals and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's CEO, CFO and members of the Company's Board of Directors.

Compensation awarded to key directors and management personnel, included in director and management fees, professional fees and share-based compensation, is as follows:

	June 30 2023	June 30 2022
For the six months ended		
Directors and management compensation	\$ 150,000	\$ 329,836
Share-based payments	320,823	186,012
	<b>\$ 470,823</b>	<b>\$ 515,848</b>

As at June 30, 2023, there was \$15,000 (December 31, 2022 - \$44,441) owed to key management personnel recorded in accounts payable and accrued liabilities and \$Nil (December 31, 2022 - \$66,413) recorded as a commitment to issue shares.

During the six months ended June 30, 2023, the Company settled its commitment to issue shares as at December 31, 2022 of \$132,825 through the issuance of 805,000 common shares of the Company to former and current management and directors.

## PAMPA METALS CORPORATION

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

#### 7. FINANCIAL INSTRUMENTS

The Company defines its capital as shareholders' equity. 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 and development of mineral property interests. 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 mineral property interests in which the Company currently has an interest in are at the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds. The Company will continue to assess new properties and seek to acquire an interest in additional mineral 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 capital management objectives, policies and processes have remained unchanged during the three months ended June 30, 2023. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

The three levels of the fair value hierarchy are:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;  
and

Level 3 - inputs that are not based on observable market data.

The Company enters into financial instrument contracts to finance its operations in the normal course of business. The fair values of cash, accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of these instruments.

The fair value of the Company's financial instruments have been classified within the fair value hierarchy as at June 30, 2023 as follows:

			June 30 2023	December 31 2022
Financial assets - amortized cost:				
Cash	Level 1	\$	215,300	\$ 404,633
Financial liabilities - amortized cost:				
Accounts payable and accrued liabilities	Level 1	\$	257,034	\$ 280,194

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity price risk). Risk management is carried out by the Company's management team, with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance on overall risk management.

##### Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's cash is largely held with Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company maintains cash deposits with a Schedule A financial institution, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

##### Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities that require the use of cash. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at June 30, 2023, the Company had working capital of \$101,489 (December 31, 2022 - \$287,043).

##### Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar and substantially all expenditures of the parent company are denominated in Canadian dollars and substantially all expenditures in Pampa Metals Chile SpA are denominated in the Chilean Peso. A 10% appreciation (depreciation) of the Chilean Peso against the Canadian dollar, with all other variables held constant, would not result in any significant changes to the Company's loss and comprehensive loss for the period.