



---

Condensed Consolidated Interim Financial Statements  
For the six-month period ended January 31, 2023, and 2022  
Presented in Canadian dollars

---

**TARACHI GOLD CORP.**Condensed Consolidated Interim Statements of Financial Position  
(Expressed in Canadian Dollars)

	Note	January 31, 2023	July 31, 2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 18,198	\$ 512,783
Tax and other receivable	3	456,475	1,224,215
Prepaid expenses		602,219	1,052,428
Assets held for sale	4	7,077,615	-
Total current assets		8,154,507	2,789,426
Exploration and evaluation assets	5	6,435,566	24,484,136
<b>TOTAL ASSETS</b>		<b>\$ 14,590,073</b>	<b>\$ 27,273,562</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 502,951	\$ 391,023
Liabilities held for sale	4	314,699	-
Total current liabilities		817,650	391,023
Contingent consideration	5	-	6,092,917
<b>TOTAL LIABILITIES</b>		<b>817,650</b>	<b>6,483,940</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	24,236,857	24,166,857
Contributed surplus	7	3,346,883	3,346,883
Accumulated deficit		(13,939,232)	(6,729,981)
Accumulated other comprehensive gain		127,915	5,863
Total shareholders' equity		13,772,423	20,789,622
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 14,590,073</b>	<b>\$ 27,273,562</b>

Nature of operations and going concern (Note 1)

Approved on behalf of the board of directors on March 27, 2023:

*"Michael Konnert"*

Michael Konnert, Chairman of the Board

*"Lorne Warner"*

Lorne Warner, Director

# TARACHI GOLD CORP.

## Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Expressed in Canadian Dollars)

		For the three months ended		For the six months ended	
	Note	January 31, 2023	Restated - Note 12 January 31, 2022	January 31, 2023	Restated - Note 12 January 31, 2022
<b>EXPENSES</b>					
Consulting fees		\$ 57,988	\$ 72,005	\$ 114,486	\$ 135,422
General and administrative costs		49,282	43,655	97,534	94,468
Insurance		12,610	14,640	26,168	28,508
Management fees	10	37,227	37,603	74,400	73,853
Professional fees		70,211	3,439	73,610	6,007
Project investigation		-	19,816	-	38,316
Shareholder information and investor relations		67,225	124,444	136,444	286,109
Stock-based compensation		-	177,987	-	177,987
Transfer agent and filing fees		7,344	13,747	12,849	22,884
		<b>\$ (301,887)</b>	<b>\$ (507,336)</b>	<b>\$ (535,491)</b>	<b>\$ (863,554)</b>
<b>Other income (expenses)</b>					
Foreign exchange (loss)		(1,013,128)	(379,529)	(213,355)	(25,344)
Interest (expense)		-	(24)	-	(24)
Interest income		114	10	930	183
Contingent consideration revaluation gain	5	190,932	640,374	-	854,826
Assets held for sale - impairment loss	4	(6,461,335)	-	(6,461,335)	-
<b>NET LOSS</b>		<b>\$ (7,585,304)</b>	<b>\$ (246,505)</b>	<b>\$ (7,209,251)</b>	<b>\$ (33,913)</b>
<b>Other comprehensive income / (loss)</b>					
Item that will be reclassified subsequently to loss					
Unrealized loss on foreign exchange translation		50,944	-	122,052	-
<b>COMPREHENSIVE LOSS</b>		<b>\$ (7,534,360)</b>	<b>\$ (246,505)</b>	<b>\$ (7,087,199)</b>	<b>\$ (33,913)</b>
<b>LOSS PER SHARE (basic and diluted)</b>		<b>\$ (0.06)</b>	<b>\$ (0.00)</b>	<b>\$ (0.06)</b>	<b>\$ (0.00)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (basic and diluted)</b>					
		119,251,810	84,303,226	118,887,680	81,072,357

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

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

For the six months ended			
	Note	January 31, 2023	Restated - Note 12 January 31, 2022
<b>OPERATING ACTIVITIES</b>			
Net loss for the period		\$ (7,209,251)	\$ (33,913)
Item not effecting cash:			
Stock based compensation	10	-	177,987
Foreign exchange loss		-	25,344
Contingent consideration revaluation gain	4	-	(854,826)
Disposal groups held for sale - impairment loss		6,461,335	-
Changes in non-cash working capital items:			
Change in tax and other receivable		6,184	(135,886)
Change in prepaid expenses		450,209	224,834
Change in accounts payable and accrued liabilities		247,574	(648,432)
		\$ (43,949)	\$ (1,244,892)
<b>INVESTING ACTIVITIES</b>			
Exploration and evaluation assets - expenditures		(529,554)	(821,804)
		\$ (529,554)	\$ (821,804)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares, net of share issuance costs	7	-	650,500
Proceeds from options exercised	7	-	7,500
		\$ -	\$ 658,000
<b>NET CHANGE IN CASH</b>		(573,503)	(1,408,696)
Effect of exchange rate fluctuation on cash		91,984	-
<b>CASH, BEGINNING OF THE PERIOD</b>		512,783	1,467,649
Cash classified as assets held for sale	4	(13,066)	0
<b>CASH, END OF THE PERIOD</b>		\$ 18,198	\$ 58,953
<b>Supplemental cash information</b>			
Shares issued for E&E acquisition		\$ 70,000	\$ 225,000

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

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

	Note	Number of shares #	Share capital \$	Shares to be issued \$	Contributed Surplus \$	Accumulated Other Comprehensive Income \$	Accumulated Deficit \$	Total \$
<b>Balance, July 31, 2020</b>		<b>37,094,664</b>	<b>3,408,892</b>	<b>-</b>	<b>932,379</b>	<b>-</b>	<b>(1,775,312)</b>	<b>2,565,959</b>
Shares issued - exploration and evaluation asset, net of share issuance		14,594,728	4,548,367	-	-	-	-	4,548,367
Shares to be issued - exploration and evaluation asset (Restated Note 12)		-	-	1,743,207	-	-	-	1,743,207
Shares issued on private placement		23,718,605	9,487,442	-	-	-	-	9,487,442
Share issued for services		108,280	41,068	-	-	-	-	41,068
Share issuance costs		-	(789,142)	-	473,775	-	-	(315,367)
Options exercised		400,000	48,840	-	(16,490)	-	-	32,350
Warrants exercised		1,073,333	279,697	-	(11,365)	-	-	268,332
Stock based compensation		-	-	-	1,492,941	-	-	1,492,941
Net loss and comprehensive loss for the year (Restated Note 12)		-	-	-	-	-	(3,830,754)	(3,830,754)
<b>Balance, July 31, 2021 - Restated Note 12</b>		<b>76,989,610</b>	<b>17,025,164</b>	<b>1,743,207</b>	<b>2,871,240</b>	<b>-</b>	<b>(5,606,066)</b>	<b>16,033,545</b>
Shares issued - exploration and evaluation asset, net of share issuance		1,000,000	225,000	-	-	-	-	225,000
Shares issued on private placement		4,396,667	659,500	-	-	-	-	659,500
Options exercised		100,000	7,500	-	-	-	-	7,500
Share issuance costs - warrants		-	-	-	1,415	-	-	1,415
Share issuance costs - cash		-	(9,000)	-	-	-	-	(9,000)
Net loss and comprehensive loss for the period (Restated Note 12)		-	-	-	-	-	(33,913)	(33,913)
<b>Balance, January 31, 2022 - Restated Note 12</b>		<b>82,486,277</b>	<b>17,908,164</b>	<b>1,743,207</b>	<b>2,872,655</b>	<b>-</b>	<b>(5,639,979)</b>	<b>16,884,047</b>
Shares issued - exploration and evaluation asset	5	12,538,528	2,483,707	(1,743,207)	-	-	-	740,500
Shares issued on private placement, net of share issuance costs	7	23,227,005	3,948,591	-	232,270	-	-	4,180,861
Share issuance costs - warrants	7	-	-	-	38,466	-	-	38,466
Share issuance costs - cash	7	-	(173,605)	-	-	-	-	(173,605)
Stock based compensation	7	-	-	-	203,492	-	-	203,492
Net loss and comprehensive loss for the year		-	-	-	-	5,863	(1,090,002)	(1,084,139)
<b>Balance, July 31, 2022</b>		<b>118,251,810</b>	<b>24,166,857</b>	<b>-</b>	<b>3,346,883</b>	<b>5,863</b>	<b>(6,729,981)</b>	<b>20,789,622</b>
Shares issued - exploration and evaluation asset	7	1,000,000	70,000	-	-	-	-	70,000
Net loss and comprehensive loss for the period		-	-	-	-	122,052	(7,209,251)	(7,087,199)
<b>Balance, January 31, 2023</b>		<b>119,251,810</b>	<b>24,236,857</b>	<b>-</b>	<b>3,346,883</b>	<b>127,915</b>	<b>(13,939,232)</b>	<b>13,772,423</b>

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

## **TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022

(Expressed in Canadian Dollars)

---

### **1. Nature of Operations and Going Concern**

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

The head office, principal address, registered address, and records office of the Company are located at #700-1090 West Georgia Street, Vancouver, BC.

The Company is in the exploration stage with respect to its exploration and evaluation assets and has not yet determined whether those assets contain ore reserves that are economically recoverable. The carrying amount of these assets represents the total of net costs capitalized and is not intended to reflect either their present or future value. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's legal interest in the assets, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition of the assets.

These condensed consolidated interim financial statements are prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities and commitments in the normal course of business. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that cast significant doubt upon the Company's ability to continue as a going concern. At January 31, 2023, the Company has not yet achieved profitable operations and had an accumulated deficit of \$14,770,279 (January 31, 2022 (restated-Note 12) - \$5,639,979). The Company's continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully develop its business.

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

COVID-19 has severely impacted economies around the globe. In many countries, including Canada, businesses have been forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, maintaining minimum distances between people, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in significant unemployment and an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening of certain sectors. Governments and central banks have responded with monetary and fiscal interventions designed to stabilize economic conditions.

To date, the Company's operations have not been materially negatively affected by these events, apart from increasing costs, around health and safety and housing field staff. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time.

**TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022

(Expressed in Canadian Dollars)

---

**2. Significant Accounting Policies and Basis of Presentation**

The significant accounting policies set out below have been applied consistently to all periods presented in the condensed consolidated interim financial statements.

**a) Statement of Compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of condensed consolidated interim financial statements, including International Accounting Standards ("IAS") 34 "Interim Financial Reporting".

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting other than the consolidated statements of cash flows. The condensed consolidated interim financial statements were approved by the Board of Directors of the Company on March 21, 2023.

**b) Basis of Consolidation**

These Condensed Interim Consolidated financial statements incorporate the financial statements of the Company and the subsidiaries controlled by the Company.

The principal subsidiaries of the Company, which are accounted for under the consolidation method, are as follows:

Entity	Principal activities	Country of incorporation and operation	Ownership interest as at January 31, 2023	Ownership interest as at July 31, 2022
TGMEX Silver S.A. DE C.V. (Assets Held for Sale)	Exploration, development, and production of precious and base metals	Mexico	100%	100%
Tarachi Gold S.A. DE C.V.	Exploration and evaluation of mineral properties	Mexico	100%	100%

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

**TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022

(Expressed in Canadian Dollars)

---

**2. Significant accounting policies (Continued)****c) Assets Held for Sale**

Assets and liabilities held for sale represent the assets and liabilities of a disposal group when the underlying non-current assets will be recovered principally through a sale transaction that is highly probable and expected to be completed within one year, management is committed to the sale, and the underlying assets are available for immediate sale in their present condition subject only to terms that are usual and customary.

Assets and liabilities that are held for sale are presented as current assets and current liabilities in the statement of financial position. Classification as held-for-sale results in non-current assets being measured at the lower of carrying amount or fair value less direct costs of disposal ("FVLCD"). Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in the consolidated statements of loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

As of the balance sheet date, the Company has classified the Magistral project as an asset held for sale. The Company has determined the fair value of the Magistral project using a market approach valuation technique, which includes estimating future cash flows and discount rates. The Company has also considered other factors such as transaction costs and the current market conditions.

The fair value of the Magistral project has been determined to be \$6,762,915, and this valuation is considered a Level 3 input as per the fair value hierarchy defined in IFRS 13. The Company has applied judgment in the fair value measurement process due to the lack of an active market for similar assets, and the need to estimate future cash flows and discount rates. Management has also considered various assumptions and inputs in determining the fair value of the Magistral Project, which include operating expenses, capital expenditures, and future commodity prices.

**d) Accounting Standards Issued but Not Yet Adopted**

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

**e) Significant Accounting Judgments and Estimates**

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

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



**TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022

(Expressed in Canadian Dollars)

---

**2. Significant accounting policies (Continued)****e) Significant accounting judgments and estimates (Continued)**

Significant areas where management's judgment has been applied include:

- The acquisition arrangement may result in the reporting of the acquisition as a business combination, or an asset acquisition as defined within IFRS. Judgment is required to determine the basis of accounting for the acquisition.
- These condensed consolidated interim financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations for the foreseeable future.
- The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.
- The Company reviews and assesses the carrying amount of exploration and evaluation assets for indicators of impairment which involve certain judgements and assumptions.

Significant areas requiring the use of management estimates and assumptions include:

- Fair value calculation of share-based payments
- The Company determines the fair value of less costs to sell the Assets

The fair value of share-based payments in relation to options and warrants granted is calculated using a Black Scholes option pricing model. There are a number of estimates used in the calculation such as the expected life, rate of forfeiture of options and warrants granted, risk-free interest rate used, and the future price volatility of the underlying security which can vary from actual future events. The factors applied in the calculation are management's best estimates based on industry averages and future forecasts.

The fair value of the Company's common shares issued or to be issued in relation to asset acquisition with no contingent condition is calculated based upon the quoted market price on the acquisition date. For those shares to be issued in certain period after the acquisition date with security-specific trading restrictions applied, discount has been estimated and applied for such lack of marketability.

- Assessing whether deferred tax assets and liabilities are recognized in accordance with IAS 12, Income taxes.

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

- Contingent consideration

The application of the Company's accounting policy for contingent consideration requires estimates in determining and measuring the fair value. This requires management to make certain estimates and assumptions about future events or circumstances, including but not limited to assumptions relating to assessing probabilities of the contingent consideration and timing of the contingent payment, the future price of gold and discount rate applied on the future cash flow. Estimates and assumptions made may change if new information becomes available.

**TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022  
(Expressed in Canadian Dollars)

---

**2. Significant accounting policies (Continued)****e) Significant accounting judgments and estimates (Continued)**

- Assets held for sale

The application of the Company's accounting policy for assets held for sale requires estimates in determining and measuring the fair value. Management has used judgement in selecting the most appropriate valuation techniques and in determining the key assumptions and estimates used in the valuation. In particular, the discount rate used to calculate the present value of future cash flows has been based on management's assessment of the risk associated with the assets, including any uncertainties related to the timing and amount of future cash flows.

**3. Tax and Other Receivable**

	January 31, 2023	July 31, 2022
	\$	\$
GST receivable	14,755	25,577
IVA receivable	441,720	1,172,946
Other receivable	-	25,692
	456,475	1,224,215

\$784,005 of IVA receivable (July 31, 2022 - \$790,463) and \$26,700 (July 31, 2022 - \$25,692) of other receivables have been reclassified and included in assets held for sale (Note 5).

**4. Assets Held for Sale**

On January 26, 2023, the Company signed a binding letter of agreement (the "Letter Agreement") with Compañía Minera de Atocha S.A. de C.V. ("Atocha"), a private Mexican Mining company with producing mines in the states of Durango and Zacatecas, for the sale of the Company's Magistral Project in Durango, Mexico. Upon closing the transaction proposed in the Letter Agreement (the "Transaction"), the Company will transfer 100% ownership of TGMEX Silver S.A. de C.V. ("TGMEX"), which owns all the Company's assets related to the Magistral Project, to Atocha. In exchange, Atocha will make cash payments of approximately US\$5,700,000 (approximately \$7.6 million).

As consideration for the transfer of TGMEX, at the closing of the Transaction, Atocha will make a cash payment to the Company in the amount of US\$4,050,000 (the "Initial Payment"). The following additional cash payments (collectively the "Additional Payments") will also be made to the Company:

1. US\$500,000 when 50% of the tailings located on the Magistral Project (the "Magistral Tailings") have been mined, sold and/or processed or after the first complete calendar year of operation at the Magistral Project, whichever occurs first;
2. US\$500,000 when 100% of the Magistral Tailings have been mined, sold and/or processed or after the second complete calendar year of operation at the Magistral Project, whichever occurs first; and
3. the amount of value-added tax ("IVA") currently owing to TGMEX as that tax benefit is realized by Atocha during operations and product sales from the Magistral Project or other Atocha-controlled assets if Atocha merges TGMEX with Atocha or another entity they control, estimated to total approximately US\$650,000. The Company anticipates the IVA tax benefit will be realized by Atocha and paid to The Company within the first year of commercial operations at the Magistral Project.

**TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022

(Expressed in Canadian Dollars)

---

**4. Assets Held for Sale (continued)**

Atocha advanced US\$1,000,000, which is currently held in escrow and will act as a deposit against the Initial Payment.

The Company will seek to settle all outstanding obligations owing to Manto Resources S.A. de C.V. ("Manto") in relation to the Company's original acquisition of the Magistral Project from Manto in 2021. In exchange for the elimination of Manto's 15% net profit interest royalty on the Magistral Tailings, US\$2,000,000 in production bonus payments, and any other obligations owed to Manto or rights for Manto to participate in the Magistral Project, the Company will pay Manto 15% of all payments received from Atocha as those payments are received. The total payable to Manto is US\$855,000 (\$1,141,425) and is fair valued at \$1,103,619.

The Company expects to receive from the Transaction, total US\$4,845,000 (\$6.5 million), net of payments made to Manto. The Initial Payment and the Additional Payments have been fair valued using the 7% discount rate.

The Company and Atocha expect to sign a definitive agreement (the "Definitive Agreement") within 60 days from the Letter Agreement date. During this period Atocha will also conclude its due diligence. Completion of the transaction will be subject to, among other things, the signing of the Definitive Agreement and extension of existing tailings leasing agreements. The parties expect to close the Transaction within 30 days of the signing of the Definitive Agreement. Upon Closing, TGMEX will become a wholly-owned subsidiary of Atocha.

In accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, the Magistral project meets the criteria to be classified as a disposal group held for sale as of January 31, 2023. At January 31, 2023, all assets and liabilities related to the Magistral project have been classified as held for sale and are presented in current assets and current liabilities in the consolidated statement of financial position. Upon reclassification of the Magistral project to a disposal group, the Company assessed the Magistral project for, and recorded an impairment, as of January 31, 2023.

**TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022

(Expressed in Canadian Dollars)

**4. Assets Held for Sale (continued)****a) Impairment Losses Relating to The Assets**

Impairment losses of \$6,461,335 for write-downs of the assets to the lower of its carrying amount and its fair value have been included in "Other expenses". The impairment losses have been applied to reduce the carrying amount of exploration and evaluation expenses within the assets.

**b) Assets and Liabilities of Assets Held for Sale**

At January 31, 2023, the assets held for sale were stated at fair value and comprised of the following assets and liabilities:

Cash	\$ 13,066
IVA receivable	784,005
Other receivable	26,700
Exploration and evaluation assets	6,253,844
<b>Assets held for sale</b>	<b>\$ 7,077,615</b>
Accounts payable and accrued liabilities	\$ 314,699
<b>Liabilities held for sale</b>	<b>\$ 314,699</b>
<b>Net Assets</b>	<b>\$ 6,762,915</b>

**c) Cumulative Income or Expenses Included in OCI**

There are no cumulative income or expenses included in OCI relating to the Assets.

**d) Measurement of Fair Values****i) Fair Value Hierarchy**

The non-recurring fair value measurement of the Assets held for sale has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (Note 2e).

**ii) Valuation Technique and Significant Unobservable Inputs**

The following table shows the valuation technique used in measuring the fair value of the assets, as well as the significant unobservable inputs used.

<b>Valuation technique</b>	<b>Significant unobservable inputs</b>
Discounted cash flows consider the present value of the net cash flows expected to be generated from the payments. The expected net cash flows are discounted using a risk-adjusted discount rate.	Risk-adjusted discount rate 7%

**TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022

(Expressed in Canadian Dollars)

**5. Exploration and Evaluation Assets**

	<b>Tarachi and Juliana Property</b>	<b>Magistral Project</b>	<b>Total</b>
<b>Acquisition Costs</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, July 31, 2021 (restated - Note 12)	2,873,914	15,575,576	18,449,490
Issuance of shares	550,000	-	550,000
Cash payments	37,124	-	37,124
Balance, July 31, 2022	3,461,038	15,575,576	19,036,614
Issuance of shares	70,000	-	70,000
<b>Balance, January 31, 2023</b>	<b>3,531,038</b>	<b>15,575,576</b>	<b>19,106,614</b>

**TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022  
(Expressed in Canadian Dollars)

**5. Exploration and Evaluation Assets (continued)**

	<b>Tarachi and Juliana Property</b>	<b>Magistral Project</b>	<b>Total</b>
<b>Deferred Exploration Costs</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance, July 31, 2021</b>	<b>1,952,470</b>	<b>1,036,112</b>	<b>2,988,582</b>
Analysis	32,383	3,096	35,479
Camp and support	56,248	30,354	86,602
Construction costs	40,277	435,587	475,864
Data management and maps	-	1,575	1,575
Engineering services	-	537,206	537,206
Field costs	5,629	-	5,629
Geological services	147,165	54,121	201,286
Land leases	-	64,951	64,951
Legal and agreements	49,727	194,465	244,192
Materials and supplies	5,220	-	5,220
Mining concession	134,323	-	134,323
Tailings purchase	-	545,497	545,497
Travel	17,413	17,131	34,544
Balance	2,440,855	2,920,095	5,360,950
Exchange difference	15,968	70,604	86,572
<b>Balance, July 31, 2022</b>	<b>2,456,823</b>	<b>2,990,699</b>	<b>5,447,522</b>
Camp and support	20,186	95,115	115,301
Ejido payments	-	913	913
Engineering services	-	45,966	45,966
Field costs	659	-	659
Geological services	56,667	6,011	62,678
Legal and agreements	(1,314)	70,879	69,565
Materials and supplies	-	3,095	3,095
Mining concession	37,285	-	37,285
Tailings purchase	-	322,148	322,148
Travel	6,918	11,081	17,999
Balance	2,577,224	3,545,907	6,123,131
Exchange difference	327,304	439,601	766,905
<b>Balance, January 31, 2023</b>	<b>2,904,528</b>	<b>3,985,508</b>	<b>6,890,036</b>
<b>Total exploration and evaluation assets</b>			
Balance, July 31, 2021 (restated - Note 12)	4,826,384	16,611,688	21,438,072
Balance, July 31, 2022	5,917,861	18,566,275	24,484,136
<b>Balance, January 31, 2023, prior to reclassification</b>	<b>6,435,566</b>	<b>19,561,084</b>	<b>25,996,650</b>
Contingent consideration reversal	-	(6,845,905)	(6,845,905)
Assets held for sale - Impairment loss (Note 4a)	-	(6,461,335)	(6,461,335)
Reclassification to assets held for sale (Note 4b)	-	(6,253,844)	(6,253,844)
<b>Balance, January 31, 2023</b>	<b>6,435,566</b>	<b>-</b>	<b>6,435,566</b>

**TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022

(Expressed in Canadian Dollars)

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

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

<b>Cash payments (USD)</b>	<b>Common shares</b>	<b>Date</b>
\$ 40,000	500,000	Execution date (paid and issued)
\$ 30,000	Nil	Six months anniversary of the execution date (paid)
\$ 30,000	1,000,000	Twelve months anniversary of the execution date (paid and issued)
\$ 30,000	Nil	Eighteen months anniversary of the execution date (paid)
Nil	1,000,000	Twenty-four months anniversary of the execution date (issued – Note 7)
Nil	Nil	Thirty months anniversary of the execution date
\$ 60,000	1,500,000	Thirty-six months anniversary of the execution date
\$ 150,000	Nil	Forty-two months anniversary of the execution date
\$ 50,000	Nil	Forty-eight months anniversary of the execution date
\$ 150,000	Nil	Fifty-four months anniversary of the execution date
\$ 700,000	Nil	Sixty months anniversary of the execution date
\$ 760,000	Nil	Sixty-six months anniversary of the execution date
<b>\$ 2,000,000</b>	<b>4,000,000</b>	

**ii) Tarachi Project**

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

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

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

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

## TARACHI GOLD CORP.

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022

(Expressed in Canadian Dollars)

---

### 5. Exploration and Evaluation Assets (continued)

#### b) Acquisition of Magistral del Oro mill and tailings project and Reclassification

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

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

- 4,000,000 common shares issued respectively upon execution and 60 days after the Closing Date of the APA Agreement; (issued at the fair value of \$2,560,000)
- US\$1,179,500 upon execution of the APA Agreement; (paid)
- Certain obligations have been assumed by the Company
  - US\$1,245,230 (C\$1,552,179) has been paid and 2,594,728 common shares with fair value of \$670,868 have been issued during the year ended July 31, 2021;
  - US\$314,940 (C\$392,478) has been paid in cash and US\$333,333 (C\$415,500) of the Company's common shares, 2,038,528 shares, has been issued at a 15% discount to the 10-day volume weighted average trading price on November 10, 2021 (Note 7);
- 1,000,000 common shares with fair value of \$270,000 were issued to a third party as finder's fee during the period ended July 31, 2021.
- 4,000,000 common shares to be issued respectively on 180 days and 365 days after the Closing Date (issued on January 28, 2022, and March 17, 2022) (Note 7). All these shares also have the security-specific trading restrictions for 4 months from the share issuance date.

The fair value of the 8,000,000 common shares was determined at \$1,743,207 (restated – Note 12) based upon the quoted market price of the Company's common shares at \$0.30 per share on the Closing Date with a discount applied for lack of marketability determined using the Finnerty Average-Strike Put option model. The significant inputs used in the fair value measurement for the year ended July 31, 2021, are as follows: term of 10 to 16 months, annualized volatility of 135.04% to 163.97%, and annualized dividend yield of 0%.

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

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

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

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



## **TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022

(Expressed in Canadian Dollars)

---

### **5. Exploration and Evaluation Assets (continued)**

#### **b) Acquisition of Magistral del Oro mill and tailings project and Reclassification(continued)**

As at January 31, 2023, the Magistral project has been reclassified to assets held for sale (Note 4). The exploration and evaluation asset has been written down to the lower of its fair value and its carrying amount and an impairment loss of \$6,461,335 have been recognized in other expenses. The contingent consideration liability of \$6,845,905 as of October 31, 2022, has been reversed and written off against the exploration and evaluation asset. The contingent consideration loss for the three-month period ended October 31, 2022, \$190,932 has been reversed in the three-month period ended January 31, 2023.

### **6. Shares To Be Issued**

As at July 31, 2021, the Company recorded \$415,500 (Equivalent of USD \$333,333) for the shares to be issued under the APA Agreement with Manto to acquire the Magistral mill and tailings project (see Note 4(b)). These shares have been issued during the year ended July 31, 2022 (see Note 7).

### **7. Share Capital**

#### **a) Authorized share capital:**

Unlimited common shares without par value.

#### *Issued and outstanding:*

119,251,810 (July 31, 2022 – 118,251,810) common shares, of which no common shares are held in escrow (July 31, 2022 – nil).

On December 14, 2022, the Company announced a non-brokered private placement financing of up to 10,000,000 units of the Company (the "Units") at a price of C\$0.05 per Unit for gross proceeds of up to C\$500,000. Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant") of the Company. Each Warrant will entitle the holder to purchase one common share of the Company at an exercise price of C\$0.10 for a period of 24 months following the closing date of the Financing. In connection with the Financing, the Company may pay finder's fees up to 6% cash and up to 6% in finder's warrants to eligible finders. The Company canceled the private placement on January 26, 2023.

#### *Shares issued during the six-month ended January 31, 2023*

On October 7, 2022, 1,000,000 shares have been issued pursuant to the option agreement to acquire the Juliana and Las Moritas property (Note 4(a)).

## **TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022

(Expressed in Canadian Dollars)

---

### **7. Share Capital (continued)**

#### *Shares issued during the year ended July 31, 2022*

On April 29, 2022, 2,500,000 shares have been issued at \$0.13 under Tarachi amended option agreement (See Note 6(a)(ii)).

On March 17, 2022, 4,000,000 shares have been issued under the APA Agreement for the Magistral mill and tailings project as part of the shares to be issued 365 days after the Closing Date (See Note 6(b)).

On March 11, 2022, the Company completed a private placement whereby the Company issued a total of 23,227,005 units at a price of \$0.18 per share for gross proceeds of \$4,180,861. Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant") of the Company. Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of C\$0.30 at any time on or before March 11, 2024. The fair value of the warrants based on the residual method is \$232,270.

The Company paid cash finder's fees equal to \$81,896, incurred \$51,828 of related costs, and issued 454,422 broker warrants of the Company, exercisable at any time on or before March 11, 2024, at an exercise price of \$0.30. The fair value of the finders' warrants is \$38,467.

On January 28, 2022, 4,000,000 shares have been issued under the APA Agreement for the Magistral mill and tailings project as part of the shares to be issued 180 days after the Closing Date (See Note 6(b)).

On November 10, 2021, 2,038,528 shares have been issued under the APA Agreement for the Magistral mill and tailings project at \$415,500 (US\$333,333) of the Company's common shares at 15% discount to the 10-day volume weighted average trading price (See Note 4(b));

On October 28, 2021, the Company completed a private placement whereby the Company issued a total of 4,396,667 common shares at a price of \$0.15 per share for gross proceeds of \$659,500. The Company paid cash finder's fees equal to \$9,000 and issued 60,000 broker warrants of the Company, exercisable at any time on or before October 28, 2022, at an exercise price of \$0.35. The fair value of the finders' warrants is \$1,415.

On September 8, 2021, 1,000,000 shares have been issued pursuant to the option agreement to acquire the Juliana and Las Moritas property (Note 4(a)).

On August 11, 2021, 100,000 stock options were exercised for total proceeds of \$7,500.

#### **b) Options**

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The terms of the granted options are fixed by the Board of Directors and are not to exceed ten years. The exercise price of options is determined by the Board of Directors but shall not be less than the closing price of the Company's common shares on the day preceding the day on which the options are granted, less any discount permitted by the TSX Venture Exchange (the "Exchange"). Options granted under the plan may vest immediately on grant, or over a period as determined by the Board of Directors or, in respect of options granted for investor relations services, as prescribed by the Exchange.

**TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022  
(Expressed in Canadian Dollars)

**7. Share Capital (continued)****b) Options (continued)**

A continuity schedule of the Company's outstanding stock options for the six-month ended January 31, 2023, are as follows:

	<b>January 31, 2023</b>		<b>July 31, 2022</b>	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
		\$		\$
<b>Outstanding, beginning of the period</b>	7,830,000	0.35	6,855,000	0.37
Granted	-	-	1,700,000	0.16
Cancelled	-	-	(625,000)	0.35
Exercised	-	-	(100,000)	0.08
<b>Outstanding and exercisable, end of the period</b>	<b>7,830,000</b>	<b>0.35</b>	<b>7,830,000</b>	<b>0.35</b>

During the six-month period ended January 31, 2023, no option was exercised or granted. During year ended July 31, 2022, the share prices on the date of option exercise was \$0.23.

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

<b>Expiry date</b>	<b>Options outstanding</b>	<b>Exercise price \$</b>	<b>Weighted average remaining contractual life (in years)</b>
18-Jun-25	1,750,000	0.31	2.38
20-Jul-25	300,000	0.66	2.47
26-Aug-24	1,000,000	0.69	1.57
21-Jan-26	1,368,000	0.28	2.98
08-Feb-26	380,000	0.29	3.02
17-Mar-26	167,000	0.30	3.13
27-Apr-26	1,165,000	0.27	3.24
25-Jan-27	1,500,000	0.16	3.99
23-Mar-27	200,000	0.17	4.14
	<b>7,830,000</b>		<b>2.91</b>

**TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022  
(Expressed in Canadian Dollars)

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

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

	January 31, 2023		July 31, 2022	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
		\$		\$
Outstanding, beginning of the period	24,742,838	0.51	25,167,727	0.48
Issued	-	-	12,127,925	0.30
Exercised	-	-	-	-
Expired	(12,674,913)	0.70	(12,552,814)	0.25
Outstanding, end of the period	12,067,925	0.30	24,742,838	0.51

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

Expiry date	Warrants outstanding	Exercise price \$	Weighted average remaining contractual life (in years)
11-Mar-24	11,613,503	0.30	1.11
11-Mar-24	454,422	0.30	1.11
	12,067,925		1.11

During the six-month period ended January 31, 2023, no warrant was exercised or granted.

**8. Management of Capital**

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

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

**TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022  
(Expressed in Canadian Dollars)

---

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

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

	<b>January 31, 2023</b>	<b>July 31, 2022</b>
<b>Financial assets:</b>	\$	\$
<b><i>FVTPL</i></b>		
Cash	18,198	512,783
<b><i>Amortized cost</i></b>		
Other receivables (exclude tax receivable)	-	25,692
Assets held for sale	7,077,615	-
	<b>18,198</b>	<b>538,475</b>
<b>Financial liabilities:</b>		
<b><i>FVTPL</i></b>		
Contingent consideration	-	6,092,917
<b><i>Other financial liabilities</i></b>		
Accounts payable and accrued liabilities	502,951	391,023
Liabilities held for sale	314,699	-

**b) Fair Value Information**

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

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Cash and shares to be issued are carried at fair value using a level 1 fair value measurement.

The fair value of the Company's other receivables (exclude tax receivable) and accounts payable and accrued liabilities approximate the carrying amount due to the short-term nature of this instrument. The fair value of assets held for sale is classified as a level 3 fair value measurement.

## TARACHI GOLD CORP.

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022

(Expressed in Canadian Dollars)

---

### 8. Financial instruments (continued)

#### c) Management Of Financial Risks

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

##### *Credit risk*

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

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

##### *Liquidity risk*

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

As at January 31, 2023, the Company had cash of \$18,198 (July 31, 2022 - \$512,783) and accounts payable and accrued liabilities of \$502,951 (July 31, 2022 - \$391,023) with contractual maturities of less than one year. The Company does not have sufficient cash to meet its current liabilities, but it is anticipating the completion of the Transaction with Atocha and has listed its Magistral project as assets held for sale (Note 5). Management assessed the liquidity risk as high.

##### *Market risk*

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

##### - *Interest rate risk*

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

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

##### - *Foreign currency risk*

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar, United States dollar, and Mexican Peso will affect the Company's operations and financial results. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies. The foreign currency risk is assessed to be low as the Company held only limited monetary assets and liabilities denominated in foreign currencies as at January 31, 2023.

##### - *Price risk*

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

**TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022

(Expressed in Canadian Dollars)

---

**10. Related Party Balances and Transactions**

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

As at January 31, 2023, the Company has amounts due to related party totaling \$226,621 (July 31, 2022: \$65,391).

During the six-month period ended January 31, 2023, the Company has granted nil stock options in total to officers and directors of the Company (July 31, 2022: 1,125,000) (Note 10).

During the six-month period ended January 31, 2023, and 2022, the Company has the following related party transactions:

	For the three months period ended		For the six months period ended	
	January 31, 2023	January 31, 2022	January 31, 2023	January 31, 2022
	\$	\$	\$	\$
Consulting fee	31,500	55,500	57,000	111,000
Management fee	36,250	37,189	72,500	73,439
Rent and administration services	45,000	45,000	90,000	90,000
Stock based compensation (Note 7)	-	109,759	-	991,728
<b>Total</b>	<b>112,750</b>	<b>247,448</b>	<b>219,500</b>	<b>1,266,167</b>

These related party transactions were incurred in the normal course of operations and are measured at the exchange amount, being the amount established and agreed upon by the related parties. Amounts due to related parties are unsecured, non-interest bearing and have no fixed term of repayment.

**11. Segment Information**

The Company has one operating segment, principally mineral exploration. The Company's non-current assets are all located in Mexico.

**TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022

(Expressed in Canadian Dollars)

**12. Prior Year Restatement****Restatement of the share issuances under the Magistral del Oro mill and tailings project**

During the year ended July 31, 2022, the Company identified that the 8,000,000 common shares to be issued at 4,000,000 common shares on 180 days and 365 days respectively after March 17, 2021, in the Magistral Project acquisition were recorded as shares to be issued liability rather than as equity in share capital. Accordingly, the Company derecognized the remeasurement gain that was recorded as fair value gain of shares to be issued in the condensed interim consolidated statements of operations and comprehensive loss previously reported which led to an increase in accumulated deficit. In addition, the 8,000,000 common shares have been included in the weighted average number of shares outstanding.

The effect of the restatement on the condensed consolidated interim financial statements for the six-month period ended January 31, 2022, is as follows:

Reconciliation of the Condensed Consolidated Interim Statements of Financial Position:

	<b>As at January 31, 2022</b>		
	<b>Previously reported</b>	<b>Restatement adjustment</b>	<b>Restated</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	\$ 23,036,825	\$ (1,046,250)	\$ 21,990,575
<b>Total Assets</b>	<b>\$ 24,137,155</b>	<b>\$ (1,046,250)</b>	<b>\$ 23,090,905</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Share to be issued	\$ 560,000	\$ (560,000)	\$ -
<b>Total current liabilities</b>	<b>968,134</b>	<b>(560,000)</b>	<b>408,134</b>
<b>Total liabilities</b>	<b>6,564,243</b>	<b>(560,000)</b>	<b>6,004,243</b>
<b>Shareholders' Equity</b>			
Shares to be issued	-	871,604	871,604
Accumulated deficit	(4,282,125)	(1,357,854)	(5,639,979)
<b>Total Shareholders' Equity</b>	<b>17,572,912</b>	<b>(486,250)</b>	<b>17,086,662</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 24,137,155</b>	<b>\$ (1,046,250)</b>	<b>\$ 23,090,905</b>



**TARACHI GOLD CORP.**

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended January 31, 2023, and 2022  
(Expressed in Canadian Dollars)

**12. Prior year restatement (continued)**Reconciliation of the Condensed Consolidated Interim Statements of Operations and Comprehensive Income:

	For the three months ended January 31, 2022			For the six months ended January 31, 2022		
	Previously reported	Restatement adjustment	Restated	Previously reported	Restatement adjustment	Restated
<b>Other income (expenses)</b>						
Fair value gain of shares to be issued	\$ 212,257	\$ (212,257)	\$ -	\$ 732,257	\$ (732,257)	\$ -
<b>NET AND COMPREHENSIVE INCOME / (LOSS)</b>	<b>\$ (34,248)</b>	<b>\$ (212,257)</b>	<b>\$ (246,505)</b>	<b>\$ 698,344</b>	<b>\$ (732,257)</b>	<b>\$ (33,913)</b>
<b>LOSS PER SHARE (basic and diluted)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.01</b>	<b>\$ (0.01)</b>	<b>\$ -</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (basic and diluted)</b>	<b>84,303,226</b>	<b>6,646,607</b>	<b>90,949,833</b>	<b>81,072,357</b>	<b>5,984,864</b>	<b>87,057,221</b>

Reconciliation of the Condensed Consolidated Interim Statements of Changes in Equity:

	Number of shares	Share capital	Shares to be issued	Contributed Surplus	Accumulated Deficit	Total
Previously reported	88,524,805	\$ 18,897,611	\$ -	\$ 2,957,426	\$ (4,282,125)	\$ 17,572,912
Restatement adjustment	4,000,000	-	1,743,207	-	(1,357,854)	385,353
Restated	92,524,805	\$ 18,897,611	\$ 1,743,207	\$ 2,957,426	\$ (5,639,979)	\$ 17,958,265

Reconciliation of the Condensed Consolidated Interim Statements of Cash Flows:

	For the three month ended January 31, 2022			For the six month ended January 31, 2022		
	Previously reported	Restatement adjustment	Restated	Previously reported	Restatement adjustment	Restated
<b>OPERATING ACTIVITIES</b>						
Net income / (loss) for the period	\$ (34,248)	\$ (212,257)	\$ (246,505)	\$ 698,344	\$ (732,257)	\$ (33,913)
Items not effecting cash:						
Fair value gain of shares to be issued	\$ (212,257)	\$ 212,257	\$ -	\$ (732,257)	\$ 732,257	\$ -