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Atacama Copper Corporation

Consolidated Financial Statements
For the Fiscal Year Ended December 31, 2022

(Expressed in Canadian Dollars)

www.atacamacopper.ca

TSX.V:

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Atacama Copper Corporation

Opinion

We have audited the accompanying consolidated financial statements of Atacama Copper Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that during the year ended December 31, 2022 the Company incurred a loss of $2,241,252, and as of that date, the Company had an accumulated deficit of $6,302,718. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Zachary Faure.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 21, 2023

Atacama Copper Corporation
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at:	**Note(s)**		**December 31, 2022**		**December 31, 2021**
ASSETS					
Current					
Cash		$	816,249	$	2,898,566
GST Receivable			40,025		27,265
Prepaid Expenses			12,952		8,500
			869,226		2,934,331
Exploration and evaluation assets	5 & 6		8,775,244		8,775,244
Total assets		**$**	**9,644,470**	**$**	**11,709,575**
LIABILITIES					
Current					
Accounts payable and accrued liabilities	7	$	99,466	$	143,228
Total liabilities			99,466		143,228
SHAREHOLDERS' EQUITY					
Share capital	8		15,484,443		15,484,443
Reserves	8		363,279		143,370
Deficit			(6,302,718)		(4,061,466)
Total shareholders' equity			9,545,004		11,566,347
Total liabilities and shareholders' equity		**$**	**9,644,470**	**$**	**11,709,575**

Nature of operations and going concern (Note 1)
Subsequent events (Note 13)

Approved on Behalf of the Board on April 21, 2022.

"Martyn Buttenshaw" Director   *"Scott Hicks"* Director

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

Atacama Copper Corporation
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Note(s)		Year ended December 31, 2022		Year ended December 31, 2021
Expenses					
Consulting fees		$	243,207	$	116,508
Exploration and evaluation expenditures	7		715,349		64,392
IVA expense			54,127		-
General and administrative expenses			53,068		78,288
Management and director fees	7		454,133		133,333
Professional fees	7		251,179		74,298
Share-based compensation	7 & 8		219,909		100,183
Shareholder communications			178,110		31,859
Travel expense			119,878		1,249
			(2,293,982)		(600,110)
Foreign exchange			13,387		7,263
Gain on settlement of accounts payable			39,343		-
Listing expense	4		-		(3,467,420)
Loss and comprehensive loss for the year		$	(2,241,252)	$	(4,060,267)
Loss per common share, basic and diluted		$	(0.07)	$	(0.19)
Weighted average number of shares outstanding – basic and diluted			34,373,156		21,672,630

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

Atacama Copper Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

		Year ended December 31, 2022		Year ended December 31, 2021
Cash flows from operating activities:				
Loss for the year	$	(2,241,252)	$	(4,060,267)
Items not involving cash:				
Gain on settlement of accounts payable		(39,343)		-
Listing expense		-		3,467,420
Share-based compensation		219,909		100,183
Changes in non-cash working capital items:				
Accounts payable and accrued liabilities		(4,419)		(648,634)
GST receivable		(12,760)		(27,265)
Prepaid expenses		(4,452)		328,023
Due to related parties		-		(75,841)
Net cash used in operating activities		(2,082,317)		(916,381)
Cash flow from investing activities:				
Acquisition of Aconcagua Minerals		-		953
Acquisition of Cobalt Chile		-		873
Acquisition costs of 1246773 BC Ltd., net of cash received		-		(139,509)
Net cash used in investing activities		-		(137,683)
Cash flow from financing activities:				
Proceeds from private placement		-		4,111,578
Share issuance costs - cash		-		(160,949)
Shares issued for cash		-		-
Warrants issued for cash		-		-
Net cash provided by financing activities		-		3,950,629
Change in cash during the year		(2,082,317)		2,896,565
Cash, beginning of year		2,898,566		2,001
Cash, end of year	$	816,249	$	2,898,566
Cash paid during the year for interest	$	-	$	-
Cash paid during the year for income taxes	$	-	$	-

Supplemental Schedule of Non-Cash Investing and Financing Activities

Fair value of shares issued on RTO	$	-	$	3,075,000
Fair value of shares issued for Cobalt Chile	$	-	$	4,461,910
Fair value of shares issued for Aconcagua Minerals	$	-	$	4,038,090
Fair value of finders’ warrants issued	$	-	$	43,186

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

Atacama Copper Corporation
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Number of Shares		Share Capital		Reserve		Deficit		Total
Balance, December 31, 2020	3,000,000	$	2,000	$	1	$	(1,199)	$	802
Shares issued related to the acquisition of Aconcagua Minerals	8,076,180		4,038,090		-		-		4,038,090
Shares issued related to the acquisition of Cobalt Chile	8,923,820		4,461,910		-		-		4,461,910
Shares issued related to the acquisition of 1246773 BC Ltd	6,150,000		3,075,000		-		-		3,075,000
Shares issued related to private placement, net of share issuance costs	8,223,156		3,907,443		43,186		-		3,950,629
Share-based compensation	-		-		100,183		-		100,183
Loss for the year	-		-		-		(4,060,267)		(4,060,267)
Balance, December 31, 2021	**34,373,156**	**$**	**15,484,443**	**$**	**143,370**	**$**	**(4,061,466)**	**$**	**11,566,347**
Share-based compensation	-		-		219,909		-		219,909
Loss for the year	-		-		-		(2,241,252)		(2,241,252)
Balance, December 31, 2022	**34,373,156**	**$**	**15,484,443**	**$**	**363,279**	**$**	**(6,302,718)**	**$**	**9,545,004**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Atacama Copper Corporation (the "Company") was incorporated under the Business Corporations Act of British Columbia on April 8, 2020. The Company's registered and records office and head office is located at 550-800 West Pender Street, Vancouver, BC, V6C 2V6. The principal business of the Company is to identify, explore and evaluate mineral properties in Chile. The Company holds mining concessions through its ownership of the El Cofre and Placeton projects in Chile. The success of the Company will be dependent on obtaining the necessary financing to evaluate these projects.

The common shares of the Company began trading on the TSX Venture Exchange ("TSXV") on September 7th, 2021 under the symbol "ACOP".

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing through the capital markets.

During the year ended December 31, 2022, the Company incurred a loss of $2,241,252 and, as of December 31, 2022, the Company had an accumulated deficit of $6,302,718. The Company may be required to delay discretionary expenditures if additional financing cannot be obtained on reasonable terms. Failure to obtain additional financing when required may result in the loss of some, or all, of the Company's exploration and evaluation assets (Note 5 & 6). These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. To date, there have been no significant adverse effects on the Company's business or ability to raise funds.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standards 1, Presentation of Financial Statements ("IAS 1") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements were approved by the Board of Directors on April 21, 2023.

Basis for measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value. All dollar amounts presented are expressed in Canadian Dollars unless otherwise specified. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a. Basis of consolidation

These consolidated financial statements include the financial statements Atacama Copper Corporation, Atacama Cobre Ltd., 2311548 Alberta Ltd. Agencia en Chile ("Agencia en Chile"), Aconcagua Minerals SpA ("Aconcagua") and Cobalt Chile SpA ("Cobalt Chile"). All intercompany transactions and balances have been eliminated upon consolidation. All of the Company's subsidiaries are wholly owned.

Control exists when the Company has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken in account in the assessment of whether control exists. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

b. Functional currency and presentation currency

The consolidated financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

c. Foreign exchange

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

d. Financial instruments

Classification

Financial assets are classified at initial recognition as either: measured at amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI").

FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed to profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise.

FVTOCI - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement loss and comprehensive loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Impairment

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

e. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash predominantly includes deposits held on call with a Canadian chartered bank, and funds in foreign bank accounts. As at December 31, 2022, the cash balance is $816,249 (2021 - $2,898,566). The Company holds no cash equivalents for the periods presented.

f. Exploration and evaluation assets

Costs related to the acquisition of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Exploration and evaluation costs are recognized in profit or loss. Costs incurred before and after the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss until such time the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, after which such costs are capitalized. Upon achieving production, costs for a producing property will be amortized on a unit of-production method based on the estimated life of the ore reserves. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

g. Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is an indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any).

The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assignments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the statement of loss and comprehensive loss.

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

h. Reclamation obligations

The Company recognizes statutory, contractual, or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at the net present value of estimated future cash flows and the resulting costs are expensed to the statement of loss and comprehensive loss. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. For the periods presented, there were no reclamation obligations.

i. Income taxes

Income tax expense is comprised of current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or profit or loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is possible that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

j. Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Company uses the residual approach when allocating the fair value of the share purchase warrants issued in conjunction with the offering of units through a private placement. The Company determines the fair value of the common share and the residual value is allocated to the share purchase warrant for unit offerings that contain a common share and a share purchase warrant.

k. Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. Common share equivalents have been excluded from the computation of diluted loss per share for the years presented as including them would have been antidilutive.

l. Share-based compensation

The Company applies the fair value method of accounting for all stock option awards. Under this method, share-based compensation expense attributed to the award of options to employees is measured at the fair value of the award on the date of grant and is recognized over the vesting period of the award. Share-based compensation to non-employees is valued based on the fair value of the service received, if reliably determinable, otherwise based on the fair value of the award granted. Valuation is calculated based on the date at which the Company receives the service. If and when the stock options are ultimately exercised, the applicable amounts of other equity reserves are transferred to share capital.

The fair value of instruments granted is measured using the Black-Scholes Option Pricing Model, taking into account the terms and conditions under which the instruments are granted. The fair value of the awards is adjusted by an estimate of the number of awards that are expected to vest as a result of non-market conditions. At each statement of financial position date, the Company revises its estimates of the number of options that are expected to vest based on the non-market conditions including the impact of the revision to original estimates, if any, with corresponding adjustments to equity.

m. New accounting standards issued but not yet in effect

The International Accounting Standards Board continually issues new and amended standards and interpretations which may need to be adopted by the Company. The Company continually assesses the impact that the new and amended standards and interpretations may have on its financial statements or whether to early adopt any of the new requirements. No new or amended standards and interpretations have affected the financial statements for December 31, 2022.

New accounting standards issued but not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2024.

New and revised accounting standards adopted during the year

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e., costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfil the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022. The adoption of this amendment did not have a significant impact on the consolidated financial statements.

n. Significant Accounting Judgements and Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Critical estimates

Share-based compensation

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Critical judgments

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of the Company's exploration and evaluation assets do not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development and upon future profitable production or proceeds from the disposition of the mineral property interests themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its mineral property interests or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

4. AMALGAMATION

On August 23, 2021, 2311548 Alberta Ltd. ("548 AB") completed its amalgamation agreement ("Amalgamation") with 2330281 Alberta Ltd ("AmalCo"), a wholly owned subsidiary of 1246773 BC Ltd. ("773"). Pursuant to the Amalgamation, 773 issued 20,000,000 common shares to acquire 100% of the issued and outstanding shares of 548 AB. As a result, the shareholders of 548 AB obtained control of 773, effecting an arm's length Reverse Takeover ("RTO"). Upon completion of the transaction, 773 changed its name to Atacama Copper Corporation.

As the RTO did not meet the definition of a business under IFRS, the RTO was outside of the scope of IFRS 3, Business Combinations, and was accounted for as a share-based payment transaction in accordance with IFRS 2, Share based Payments ("IFRS 2"). Any difference between the fair value of the shares deemed to have been issued by 548 AB and the fair value of 773s' identifiable net assets acquired represents the value of the public listing received by 548 AB.

The consideration received was the fair value of the net liabilities of 773, which on August 23, 2021 was $224,817. The amount was calculated as follows:

(Expressed in Canadian Dollars)

		Amount
Consideration paid:		
6,150,000 shares issued (valued at $0.50 per share) (Note 8)	**$**	3,075,000
Transactions costs		167,603
Total consideration		**3,242,603**
Less: net liabilities acquired		
Cash		28,094
Amounts receivable		336,523
Accounts payable and accrued liabilities		(589,434)
Net liabilities assumed		(224,817)
Listing expense	$	3,467,420

The consideration was measured at the fair value of the shares that 773 would have had to issue to the shareholders of 548 AB (6,150,000 common shares), to give the shareholders of 548 AB the same percentage equity interest in the combined entity that results from the RTO had it taken the legal form of 773 acquiring 548 AB.

5. ACQUISITIONS

Aconcagua and Cobalt Chile Acquisition – The Placeton Project and El Cofre Project

On March 12, 2021, 548 AB entered into a series of transactions with 773, AmalCo, Aconcagua Minerals SpA (“Aconcagua”) and Cobalt Chile SpA (“Cobalt Chile”) that resulted in 773 indirectly acquiring the rights to the El Cofre, Los Naranjos, Caballo Muerto and the Placeton Projects located in Chile.

As part of the transactions 548 AB acquired all of the issued and outstanding shares of Aconcagua and Cobalt Chile and then amalgamated with AmalCo (Note 4). 548 AB issued a total of 17,000,000 shares to the shareholders of Aconcagua and Cobalt Chile in exchange for their shares in these entities, as well as an assignment of amounts due to related parties from Aconcagua.

The purchase price allocation of Aconcagua and Cobalt Chile was as follows:

		Aconcagua		**Cobalt Chile**		**Total**
Shares issued		8,076,180		8,923,820		17,000,000
Total consideration paid (valued at $0.50 per share)	$	4,038,090	$	4,461,910	$	8,500,000
Cash	$	953	$	873	$	1,826
Accounts payable and accrued liabilities		(85,668)		(115,561)		(201,229)
Due to related parties		(33,589)		(42,252)		(75,841)
Exploration and evaluation assets		4,156,394		4,618,850		8,775,244
Total consideration received	$	4,038,090	$	4,461,910	$	8,500,000

6. EXPLORATION AND EVALUATION ASSETS

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, unregistered claims, other land claims and non-compliance with regulatory and environmental requirements.

Aconcagua holds the rights to the Placeton Project which consists of the Placeton, Caballo Muerto and Los Naranjos projects. There is an existing 2% net smelter royalty (“NSR”), held by the CEO, over all minerals produced from 39 exploitation tenements included in the Placeton Project.

(Expressed in Canadian Dollars)

Cobalt Chile holds 100% interest in the exploration claims representing the El Cofre Project, which represents 100% interest in the exploration claims. There is an existing 2% NSR over all minerals produced from 37 exploitation concessions included in the El Cofre Project.

		Aconcagua		**Cobalt Chile**		**Total**
Balance, December 31, 2020	$	-	$	-	$	-
Additions:						
Acquisition costs		4,156,394		4,618,850		8,775,244
Balance, December 31, 2021 and December 31, 2022	$	4,156,394	$	4,618,850	$	8,775,244

7. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers and/or companies controlled by those individuals. Key management compensation paid to officers and directors of the Company during the year ended December 31, 2022 and 2021 is as follows:

		December 31, 2022		December 31, 2021
Management and director fees	$	454,133	$	133,333
Share-based compensation		216,354		94,805
Total consideration received	$	670,487	$	228,138

Other related party transactions:

During the year ended December 31, 2022, the Company incurred a total of $102,000 (2021 - $51,000) in professional fees from a company related to the CFO.

During the year ended December 31, 2022, the Company incurred a total of $46,235 (2021 - $nil) in exploration and evaluation expenses from a company controlled by a director and Senior VP Business Development.

During the year ended December 31, 2022, the Company incurred $14,428 (2021 - $Nil) in travel expenses from reimbursing a director and Senior VP Business Development.

During the year ended December 31, 2021, the Company paid $133,009 to a former director, partner of a law firm, for legal services incurred, of which $86,646 related to the RTO transaction and $46,363 related to share issuance costs. There were no legal fees paid to the former director for the year ended December 31, 2022.

Due to related parties:

As at December 31, 2022, the Company owed $6,879 (2021 - $3,413) to a director and Senior VP Business Development. The amount is included in accounts payable and accrued liabilities. The related party amounts owing are non-interest bearing, unsecured, and have no terms of repayment, but is payable on demand.

As at December 31, 2022, the Company had $8,500 (2021 - $8,500) in prepaid deposit held by the professional service company related to the CFO.

8. SHARE CAPITAL

Authorized capital stock: unlimited number of common shares without par value.

As at December 31, 2022 the Company had 34,373,156 (2021 – 34,373,156) common shares issued and outstanding. As at December 31, 2022, 14,025,000 (2021 – 21,037,500) common shares were held on escrow.

For the year ended December 31, 2022:

During the year ended December 31, 2022, no shares were issued.

For the year ended December 31, 2021:

Pre RTO:

On March 15, 2021, 548 AB issued 8,076,180 common shares at a price of $0.50 per common shares with a fair value of $4,038,090 in connection with the acquisition of Aconcagua Minerals (Note 5).

On March 15, 2021, 548 AB issued 8,923,820 common shares at a price of $0.50 per common shares with a fair value of $4,461,910 in connection with the acquisition of Cobalt Chile (Note 5).

Post RTO:

On August 23, 2021, the Company issued 20,000,000 common shares with a fair value of $3,075,000 in connection with the Amalgamation (Note 4).

On August 23, 2021, the Company completed a private placement and issued 8,223,156 common shares at a price of $0.50 per common share for gross proceeds of $4,111,578. In connection with the private placement, the Company incurred share issuance costs of $160,949. In addition, the Company issued 209,024 finders' warrants with a fair value of $43,186.

For the period from incorporation on December 23, 2020 to December 31, 2020:

Pre RTO:

During the period ended December 31, 2020, 548 AB issued 3,000,000 common shares.

Stock Options

Pursuant to the Company's stock option plan, the Board of Directors may grant options for the purchase of up to 10% of the total number of issued and outstanding common shares of the Company. Options granted under the plan vest over time at the discretion of the Board of Directors and expire no later than five years from the date of issuance. Exercise prices on options granted under the plan cannot be lower than the market price of one share on the last trading day immediately preceding the day on which the option is granted, less the maximum applicable discount permitted by TSX Venture Exchange and the minimum exercise price per common share must be at least $0.10. Options issued are subject to vesting at the discretion of the Board of Directors.

For the year ended December 31, 2022

On August 9, 2022, 50,000 stock options were forfeited.

On August 15, 2022, the Company granted 300,000 stock options to an officer of the Company. Each stock option is exercisable at a price of $0.20 per share for a period of 5 years from the date of grant and vest as follows:

- 100,000 options vest immediately on the date of grant
- 100,000 options vest on the first anniversary of the date of grant
- 100,000 options vest on the second anniversary of the date of grant.

During the year ended December 31, 2022, the Company recognized $159,509 (2021 - $98,503) in share-based compensation expense related to stock options vested.

For the year ended December 31, 2021:

(Expressed in Canadian Dollars)

On December 22, 2021, the Company issued 990,000 stock options to directors, officers and consultants of the Company. Each stock option is exercisable at a price of $0.42 per share for a period of five years from the date of grant and vest as follows:

- 330,000 options vest immediately on the date of grant
- 330,000 options vest on the first anniversary of the date of grant
- 330,000 options vest on the second anniversary of the date of grant.

The fair value of stock options issued was estimated at the grant date based on the Black-Scholes valuation model with the following weighted average assumptions:

	December 31, 2022	December 31, 2021
Risk-free interest rate	2.88%	1.25%
Expected dividend yield	Nil	Nil
Share price	$0.20	$0.39
Expected stock price volatility	100%	100%
Average expected option life	5 years	5 years
Fair value of options granted	$0.12	$0.29

The following is a summary of the Company’s stock option activity:

Expiry Date	**Number of options**	**Weighted Average Exercise Price**
Balance, December 31, 2020	-	-
Granted	990,000	$ 0.42
Balance, December 31, 2021	990,000	$ 0.42
Granted	300,000	$ 0.20
Forfeited	(50,000)	$ 0.42
Balance, December 31, 2022	1,240,000	$ 0.37

As at December 31, 2022, the Company has the following stock options outstanding and exercisable:

Expiry Date	**Number of options outstanding**	**Number of options exercisable**	**Weighted Average Exercise Price**	**Weighted Average Remaining Life**
December 22, 2026	940,000	626,677	$ 0.42	3.98
August 15, 2027	300,000	100,000	$ 0.20	4.62
	1,240,000	726,667	$ 0.37	4.13

Restricted Stock Units (RSUs)

The Company has established a Restricted Stock Unit incentive plan (the “RSU Plan”) for employees, management, directors, and consultants of the Company, as designated and administered by a committee of the Company’s Board of Directors. Under the RSU Plan, the Company may grant RSUs and/or options for up to 10% of the issued and outstanding common shares of the Company.

The granted RSUs will vest in three (3) equal instalments beginning a year after the grant date. The RSUs are subject to a restriction period which will end no later than December 31 of the calendar year three (3) years after the grant date, or as otherwise determined by the Board of Directors.

<u>For the year ended December 31, 2022</u>

There were no RSU’s granted in year ended December 31, 2022.

During the year ended December 31, 2022 the Company recognized $60,400 (2021 - $1,680) in share-based compensation expense related to RSUs.

(Expressed in Canadian Dollars)

During the year ended December 31, 2022, vested RSUs have not been issued as the RSUs are subject to a restriction period.

For the year ended December 31, 2021:

On December 22, 2021, the Company granted 240,000 RSUs. The value ascribed to the RSUs issued was $0.39 per share, the closing share price of the Company's common shares on December 22, 2021. The RSUs will vest as follows: 80,000 vest on the first anniversary of the date of grant, 80,000 will vest on the second anniversary of date of grant and 80,000 vest on the third anniversary of the date of grant. The RSUs are subject to a restriction period that will end on December 31, 2024, unless otherwise determined by the Board of Directors.

Warrants

For the year ended December 31, 2022

There were no warrants granted in the year ended December 31, 2022

For the year ended December 31, 2021:

During the year ended December 31, 2021, in connection with the private placement, the Company issued 209,024 finder's warrants. Each finder's warrant is exercisable at a price of $0.80 per share for a period of two years from the date of issue. Using the Black-Scholes valuation model, the fair value of the finder's warrants were valued at $43,186. The following assumptions were used to calculate the fair value:

	2022	2021
Risk-free interest rate	N/A	0.29%
Expected dividend yield	N/A	Nil
Share price	N/A	$0.50
Expected stock price volatility	N/A	100%
Average expected option life	N/A	5 years
Fair value of options granted	N/A	$0.20

The number and weighted average prices of warrants are as follows:

	Number of Warrants	**Weighted Average Exercise Price**
Outstanding as at December 31, 2020 issued	7,000,000	$ 0.60
	209,024	0.80
Outstanding as at December 31, 2021 & 2022	7,209,024	$ 0.61

As at December 31, 2022, the Company has the following warrants outstanding and exercisable:

Expiry Date	**Number of Warrants**	**WeightedAverage Exercise Price**	**Weighted Average Remaining Life**
December 31, 2025	7,000,000	$ 0.60	3.00
May 10, 2023	209,024	$ 0.80	0.36
	7,209,024	$ 0.61	2.93

9. FINANCIAL INSTRUMENTS

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. 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.

Cash is carried at fair value using a Level 1 fair value measurement. The recorded values of GST receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short-term to maturities which is the amount presented on the statement of financial position.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial statements are summarized below:

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and GST receivable due from the Government of Canada. The Company limits its exposure to credit loss by placing its cash with major financial institutions. The Company believes its credit risk with respect to GST receivable is minimal. The Company's maximum credit exposure if limited to the carrying amount of its cash and GST receivable.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Company had a working capital balance of $769,760.

Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institution is subject to floating rates of interest. The interest rate risk on cash is not considered significant.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, and accounts payable and accrued liabilities, denominated in Chilean Pesos. A 10% fluctuation between the Canadian dollar against the Chilean Peso would impact profit or loss by approximately $3,127.

Price risk

The Company has limited exposure to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

10. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support any business transaction. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is largely dependent upon external financing to fund its operations. To carry out its exploration operations and to continue to support its general administrative activities, the Company will spend its existing working capital and raise additional funds as needed.

(Expressed in Canadian Dollars)

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2022. The Company is not subject to externally imposed capital requirements.

11. SEGMENTED INFORMATION

The Company has one reportable segment, being the evaluation and exploration of mineral properties in Chile. All non-current assets are held in Chile.

12. INCOME TAX

		Year Ended December 31, 2022		**Year Ended December 31, 2021**
Loss before income taxes	$	(2,241,252)	$	(4,060,267)
Expected tax (recovery)		(605,000)		(1,096,000)
Change in statutory, foreign tax, foreign exchange rates and other		15,000		(64,000)
Permanent differences		49,000		903,324
Share issue cost		-		(45,000)
Adjustment to prior year tax estimates		(976,000)		-
Change in unrecognized deductible temporary differences		1,517,000		301,676
Deferred income tax recovery	$	-	$	-

The tax effects on the temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

		2022		**2021**
Deferred tax assets (liabilities)				
Property and equipment	$	-	$	62,000
Share issuance costs		706,000		36,000
Non-capital losses available for future period		1,113,000		204,000
		1,819,000		302,000
Unrecognized deferred tax assets		(1,819,000)		(302,000)
Net deferred tax liability	$	-	$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have been included on the statement of financial position are as follows:

		2022	**Expiry Date Range**		**2021**	**Expiry Date Range**
Temporary differences						
Property and equipment	$	-	No expiry date	$	230,000	No expiry date
Share issuance costs	$	2,617,000	2042 to 2046	$	133,000	2042 to 2045
Non-capital losses available for future periods	$	4,219,000	2039 onwards	$	781,000	2039 onwards
Canada	$	2,969,000	2039 to 2042	$	437,000	2039 to 2041
Chile	$	1,250,000	Indefinite	$	344,000	indefinite

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

13. SUBSEQUENT EVENTS

On March 10, 2023, the Company granted 380,000 5-year stock options to its directors. These stock options have an exercise price of $0.185 each, and will vest in 3 equal instalments on March 10, 2023, 2024 and 2025. These stock options will expire March 10, 2028.

On March 10, 2023, the Company granted 130,000 RSUs to its directors. These RSUs will vest in 3 equal instalments on March 10, 2024, 2025 and 2026.