
PORTOFINO RESOURCES INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Portofino Resources Inc.

Opinion

We have audited the financial statements of Portofino Resources Inc. (the "Company") which comprise the statements of financial position as at May 31, 2023 and 2022, and the statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the 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 is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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 Financial Statements for the year ended May 31, 2023. These matters were addressed in the context of our audit of the 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 key audit matters to communicate in our report.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Waseem Javed.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
September 26, 2023



PORTOFINO RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

	Note	2023	2022
		\$	\$
ASSETS			
CURRENT			
Cash		65,139	155,663
Amounts receivable		20,808	-
Taxes receivable		7,642	48,761
Marketable securities	5	75,000	-
Prepaid expenses and deposits	6	185,316	72,587
		353,905	277,011
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	9	756,783	149,080
EQUITY (DEFICIENCY)			
SHARE CAPITAL	8	10,410,880	8,998,466
SHARE SUBSCRIPTIONS	8	100,000	-
CONTRIBUTED SURPLUS	8	1,596,199	1,164,618
DEFICIT		(12,509,957)	(10,035,153)
		(402,878)	127,931
		353,905	277,011

NATURE OF BUSINESS AND GOING CONCERN (Note 1)

SUBSEQUENT EVENTS (Note 13)

Approved and authorized for issue on behalf of the Board on September 26, 2023

/s/ "David Tafel" CEO /s/ "Jeremy Wright" CFO

The accompanying notes are an integral part of these audited financial statements

PORTOFINO RESOURCES INC.
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

	Note	2023 \$	2022 \$
EXPENSES			
Advertising and promotion		1,267	1,195
Consulting fees		261,376	519,878
Exploration and evaluation expenditures	7	1,258,962	559,441
Interest expense		360	-
Investor communications		125,736	278,726
Management fees	9	150,000	201,200
Office		128,005	153,739
Professional fees	9	227,351	188,169
Rent		16,443	14,686
Share based compensation	8	213,987	125,000
Transfer agent and filing fees		43,634	43,359
Travel and promotion		72,807	39,352
LOSS BEFORE OTHER ITEM		(2,499,928)	(2,124,745)
OTHER ITEMS:			
Allowance for doubtful amounts	9	61,655	267,067
Recovery of amounts receivable		(116,779)	
Unrealized loss on marketable securities	5	30,000	-
		(25,124)	267,067
NET LOSS AND COMPREHENSIVE LOSS		(2,474,804)	(2,391,812)
LOSS PER SHARE –			
Basic and diluted		(0.02)	(0.03)
WEIGHTED AVERAGE			
NUMBER OF COMMON SHARES			
OUTSTANDING		125,802,514	92,885,093

The accompanying notes are an integral part of these audited financial statements

PORTOFINO RESOURCES INC.
STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

	<u>Common Shares</u>		Share Subscriptions	Contributed Surplus	Deficit	Total
	Number of Shares	Amount				
		\$		\$	\$	\$
Balance, May 31, 2021	81,796,243	7,156,780	-	966,951	(7,643,341)	480,390
Units issued for cash	15,902,781	1,350,000	-	-	-	1,350,000
Shares issued for mineral property	1,100,000	111,000	-	-	-	111,000
Shares issued for exercise of warrants	10,833,819	574,184	-	(32,493)	-	541,691
Share issuance costs	-	(193,498)	-	105,160	-	(88,338)
Share-based payment	-	-	-	125,000	-	125,000
Net loss and comprehensive loss	-	-	-	-	(2,391,812)	(2,391,812)
Balance, May 31, 2022	109,632,843	8,998,466	-	1,164,618	(10,035,153)	127,931
Units issued for cash	38,210,000	1,675,500	-	-	-	1,675,500
Unit subscriptions	-	-	100,000	-	-	100,000
Shares issued for exploration and evaluation expenditures	200,000	8,000	-	-	-	8,000
Share issuance costs	-	(85,086)	-	31,594	-	(53,492)
Fair value allocated to warrants	-	(186,000)	-	186,000	-	-
Share-based payments – stock options	-	-	-	178,024	-	178,024
Share-based payments – RSUs	-	-	-	35,963	-	35,963
Net loss and comprehensive loss	-	-	-	-	(2,474,804)	(2,474,804)
Balance, May 31, 2023	148,042,843	10,410,880	100,000	1,596,199	(12,509,957)	(402,878)

The accompanying notes are an integral part of these audited financial statements

PORTOFINO RESOURCES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

	2023	2022
	\$	\$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	(2,474,804)	(2,391,812)
Adjusted for items not affecting cash:		
Allowance for doubtful amounts receivable	61,655	267,067
Recovery of amounts receivable	(116,779)	-
Shares issued for exploration and evaluation expenditures	8,000	111,000
Unrealized loss on marketable securities	30,000	-
Share-based payments	213,987	125,000
	(2,277,941)	(1,888,745)
Changes in non-cash working capital balances:		
Amounts receivable	(70,684)	(124,843)
Taxes receivable	41,119	7,533
Prepaid expenses	(112,729)	(4,782)
Accounts payable and accrued liabilities	607,703	89,036
Cash used in operating activities	(1,812,532)	(1,921,801)
FINANCING ACTIVITIES		
Shares issued for cash	1,675,500	1,350,000
Shares issued from exercise of warrants	-	541,691
Share issuance costs	(53,492)	(88,338)
Shares subscriptions received	100,000	-
Cash provided by financing activities	1,722,008	1,803,353
CHANGE IN CASH	(90,524)	(118,448)
CASH, BEGINNING OF YEAR	155,663	274,111
CASH, END OF YEAR	65,139	155,663
SUPPLEMENTAL CASH DISCLOSURES:		
Interest paid	-	-
Income taxes paid	-	-
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Fair value of shares issued for exploration and evaluation expenditures	8,000	111,000
Fair value of finder warrants issued	31,594	105,160

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

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Portofino Resources Inc. (the “Company”) was incorporated on June 14, 2011, under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is Suite 520, 470 Granville Street, Vancouver, British Columbia, Canada. The Company’s shares are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “POR”. On October 10, 2018, the Company incorporated a subsidiary under the laws of Argentina, Portofino Argentina, which is an inactive entity with no significant transactions occurring during the years ended May 31, 2023 and 2022. The subsidiary is owned 98% by the Company and 2% by the Company’s chief executive officer.

The Company’s principal business activities include the acquisition and exploration of mineral properties. As at May 31, 2023, the Company had not yet determined whether the Company’s mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts expended for exploration and evaluation activities is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition.

As at May 31, 2023, the Company had a deficit of \$12,509,957 and a working capital deficiency of \$402,878. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. The outcome of these matters cannot be predicted at this time and indicate the existence of a material uncertainty that casts significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these audited financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These audited financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These audited financial statements were authorized for issue in accordance with a resolution from the Board of Directors on September 26, 2023.

b) Basis of presentation

The audited financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these audited financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Exploration and evaluation expenditures

Costs incurred with respect to the acquisition, exploration and evaluation (“E&E”) of the Company’s mineral properties, including acquisition costs, are expensed as incurred until the technical feasibility and commercial viability of extracting the mineral resource is determined.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property would be considered a mine under development and would be classified as “mines under construction”. E&E assets would be tested for impairment before the assets are transferred to development properties. Following transfer, the Company’s policy is to assess each significant asset for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

d) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

The fair value of the stock options and agent warrants is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on historical experience), expected dividends, expected forfeitures, and risk-free interest rate (based on government bonds).

e) Foreign currency

The Company’s presentation and functional currency is the Canadian dollar. Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Decommissioning, restoration, and similar liabilities

The Company has no material restoration, rehabilitation, and environmental obligations as the disturbance to date is immaterial.

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

g) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

h) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Income taxes (Continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences, which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized

i) Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

The Company classifies its financial assets and financial liabilities in the following measurement categories:

- i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- ii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income.

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income.

The Company has implemented the following classifications for financial instruments:

- The Company's financial assets are cash and amounts receivable. Cash is classified as fair value through profit or loss and any changes to fair value subsequent to initial recognition are recorded in profit or loss for the period in which they occur. Amounts receivable are classified as amortized cost.
- Financial liabilities comprise accounts payable. These financial liabilities are classified as and are measured at amortized cost using the effective interest method. Interest expense is recorded in profit or loss, as applicable.

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial instruments (continued)

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The following table summarizes the classification of the Company's financial instruments under IFRS 9, Financial Instruments:

	Classification
Financial assets	
Cash	FVTPL
Amounts receivable	FVTPL
Marketable securities	FVTPL
Financial liabilities	
Accounts payable	Amortized cost

IFRS 9, Financial Instruments, uses an expected credit loss model impairment model. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting estimates

- i. the determination of fair values of share-based payments and finder's warrants;
- ii. the measurement of deferred income tax assets and liabilities; and
- iii. the determination of the fair value of amounts receivable.

Significant accounting judgment

- i. the evaluation of the Company's ability to continue as a going concern.

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, and amendments to standards and interpretations, are not yet effective for the fiscal year ended May 31, 2023 and have not been early adopted in preparing these audited financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's financial statements.

5. MARKETABLE SECURITIES

During the fiscal year ended May 31, 2023, the Company received common shares of a public company with common directors with the Company in order to settle amounts receivable from the prior year. The Company received 3,000,000 common shares with a fair value of \$0.035 per share.

	Fair value of shares of publicly traded company
	\$
Balance, May 31, 2022	-
Additions	105,000
Unrealized loss	(30,000)
Balance, May 31, 2023	75,000

6. PREPAID EXPENSES AND DEPOSITS

	2023	2022
	\$	\$
General operating and administrative	185,316	72,587
	185,316	72,587

7. EXPLORATION AND EVALUATION EXPENDITURES

During the fiscal years ended May 31, 2023, and 2022, the following exploration and evaluation expenditures were incurred by the Company:

	2023	2022
	\$	\$
Property payments	227,000	201,113
Expenditures:		
Assays	3,042	27,897
Field administration	17,708	-
Drilling	-	28,698
Consulting	1,000	3,705
Geological services	1,010,212	236,438
Survey	-	61,590
Total	1,258,962	559,441

7. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

Catamarca, Argentina

Yergo Lithium Brine Project

Pursuant to an option agreement dated February 15, 2019, with a private Argentine concession owner (the "Yergo Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Yergo lithium brine project in Catamarca, Argentina. The concession area comprises approximately 2,932 hectares encompassing the full salar.

To acquire a 100% interest in the Yergo Lithium Brine Project, the Company has agreed to make annual escalating payments to the Yergo Optionor over a four-year period totaling US\$370,000 as follows:

- a) US\$10,000 on signing (paid),
- b) By the 1st anniversary of approval- US\$20,000,
- c) By the 2nd anniversary of approval- US\$70,000,
- d) By the 3rd anniversary of approval- US\$120,000, and
- e) By the 4th anniversary- US\$150,000.

On August 14, 2020, the Company reached an agreement with the Yergo Optionor to amend the terms of its option agreement that enables the Company to earn 100% interest in the project. The original agreement required the Company to make escalating payments totaling US\$370,000 over a 48-month period with the next payment of US\$70,000 due by February 2021. The Yergo Optionor had agreed to extend the payments such that the next payment was not required until August 14, 2022.

The amended total payments to the Yergo Optionor remain at US\$370,000 and are detailed as follows:

- a) US\$10,000 on signing agreement (paid),
- b) By August 30, 2020- US\$20,000 (paid),
- c) By August 14th, 2022- US\$70,000,
- d) By August 14th, 2023- US\$120,000, and
- e) By August 14th, 2024- US\$150,000.

September 22, 2022, the Company announced that it had received a notice of termination from the Yergo Optionor to terminate the underlying agreements with respect to the Yergo Lithium Brine Project. October 20, 2022, the Company announced it was granted a formal injunction by the Mining Court of the Province of Catamarca prohibiting the Yergo Optionor from undertaking any form of alternate transaction.

A property payment due to the optionor by October 13, 2022 (which includes a 60-day curative period from the original payment due date of August 14, 2022) was accrued pending dispute resolution.

Subsequent to year end, the Company entered into a binding agreement to buy-out the original Yergo option agreement (the "Binding Agreement"). Pursuant to the Binding Agreement, the concession owner and the Company have agreed to transfer the ownership of the Yergo Lithium Project concessions to the Company (see Note 13b and 13d).

7. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

Canada, Ontario

South of Otter, Red Lake

Pursuant to an option agreement dated September 6, 2019, with 1544230 Ontario Inc. (the "SO Vendor"), the Company was granted an option to acquire a 100% undivided interest in the South of Otter property in the Red Lake area of Northern Ontario, Canada.

To acquire a 100% interest in the South of Otter property, the Company has issued 500,000 common shares and is to make payments over a 4-year period to the SO Vendor totaling \$70,000, as follows:

- a) \$15,000 (paid) on signing,
- b) 500,000 shares (issued) following receipt of TSX-V approval of this transaction on October 7, 2019,
- c) \$8,000 (paid) on the first anniversary of TSX-V approval,
- d) \$10,000 (paid) on the second anniversary of TSX-V approval,
- e) \$12,000 (paid) due on the third anniversary of TSX-V approval, and
- f) \$25,000 due on the fourth anniversary of TSX-V approval.

The SO Vendor will retain a 1.5% Net Smelter Return ("NSR"), but Portofino has the right to purchase one half of the NSR (.75%) at any time up to commencement of production for a payment of \$400,000.

On July 07, 2020 the claims owned by 1544230 Ontario Inc. were acquired by EMX Royalty Corp ("EMX").

At year end, certain claims related to the South of Otter property were allowed to expire and subsequently re-acquired, while other claims were placed on hold pending the review of an extension of time request submitted by EMX subsequent to year-end. Certain claims have been approved for extension and certain others remain on hold, subject to final acceptance by the Ministry of Mines of Ontario.

Gold Creek Property, Shebandowan

On May 11, 2020, the Company signed an option agreement with Gravel Ridge Resources Ltd. ("Gravel Ridge"), that allows the Company to earn a 100% interest in mining exploration claims held by Gravel Ridge, and located primarily in Duckworth Township, Ontario (the "Gold Creek Property").

To acquire a 100% interest in the Gold Creek Property, the Company has agreed to issue 800,000 common shares of the Company to Gravel Ridge and make cash payments of \$70,600, as set out below:

- a) \$8,600 (paid) on signing,
- b) 400,000 shares (issued) following receipt of TSX-V approval of this transaction on May 21, 2020,
- c) \$12,000 (paid) and 400,000 shares (issued) due on the first anniversary of TSX-V approval,
- d) \$20,000 (paid) due on the second anniversary of TSX-V approval, and
- e) \$30,000 (paid) due on the third anniversary of TSX-V approval.

7. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

Canada, Ontario (continued)

Gold Creek Property, Shebandowan (continued)

On August 10, 2020, the Company entered into an option agreement amendment with respect to the inclusion of additional mining claims (3 mining claims/50 mining cells) to the Gold Creek Property.

On August 21, 2020, the Company entered into an agreement with Mr. Philip Escher and Mr. Michael Tremblay to purchase 100% interest in 2 claims located in Duckworth Township, Ontario, contiguous to the Company's Gold Creek Property. In consideration, the Company paid \$10,000 and issued 125,000 common shares as approved by the TSXV on September 4, 2020.

On September 15, 2021, the claims owned by Gravel Ridge Resources Ltd. were acquired by Solstice Gold Corp.

Sapawe West Property, Atikokan

The Company entered into an option agreement with 1544230 Ontario Inc. (the "Sapawe Vendor"), dated May 22, 2020, to acquire a 100% interest in the Sapawe West Property claims located in Schwenger and McCaul Townships, Ontario.

To acquire a 100% interest in the Sapawe West Property, the Company has agreed to issue 700,000 common shares and make payments over a three-year period to the Sapawe Vendor totaling \$62,000, as set out below:

- a) \$12,000 (paid) on signing,
- b) 500,000 shares (issued) following receipt of TSX-V approval of this transaction on May 28, 2020,
- c) \$10,000 (paid) and 200,000 shares (issued) due on the first anniversary of TSX-V approval,
- d) \$15,000 (paid) due on the second anniversary of TSX-V approval, and
- e) \$25,000 (paid - June 2023) due on the third anniversary of TSX-V approval.

The Sapawe Vendor retains 1.5% NSR on all mineral production, 0.75% of which can be purchased by the Company for \$500,000.

Melema West Property, Atikokan

The Company entered into an option agreement with 1544230 Ontario Inc. (the "Melema Vendor"), dated May 22, 2020, the Company was granted an option to acquire a 100% interest in Melema West Property located in Hutchinson, Bellmore Lake and Ramsay Wrights Townships, Ontario.

To acquire a 100% interest in the Melema West Property, the Company is to issue 700,000 common shares and make payments over a three-year period to the Melema Vendor totaling \$62,000, as set out below:

- a) \$12,000 (paid) on signing,
- b) 500,000 shares (issued) following receipt of TSX-V approval of this transaction on June 16, 2020,
- c) \$10,000 (paid) and 200,000 (issued) shares due on the first anniversary of TSX-V approval,
- d) \$15,000 (paid) on the second anniversary of TSX-V approval, and
- e) \$25,000 due on the third anniversary of TSX-V approval.

7. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

Canada, Ontario (continued)

Melema West Property, Atikokan (continued)

The Melema Vendor retains 1.5% NSR on all mineral production, 0.75% of which can be purchased by the Company for \$500,000.

Bruce Lake Property, Red Lake

The Company entered into an Option Assignment Agreement with Falcon Gold Corp. ("Falcon"), dated June 20, 2020, to acquire a 100% interest in the 1,428 hectare Bruce lake Property in the Red Lake Mining District. Falcon assigned 100% of its interest in five mineral claims, known as Bruce Lake Property to the Company.

To acquire a 100% interest in the Bruce Lake Property, the Company has issued 650,000 common shares and is to make payments over a three-year period to the claim owner totaling \$52,000, as follows:

- a) \$650,000 shares (issued) within 15 days of effective date,
- b) \$8,000 (paid) on or before September 6, 2020,
- c) \$10,000 (paid) on or before September 6, 2021,
- d) \$14,000 (paid) on or before September 6, 2022, and
- e) \$20,000 on or before September 6, 2023 - not paid subsequent to year end

EMX, as the underlying claim owner, retains 1.5% NSR on all mineral production, 0.75% of which can be purchased by the Company for \$500,000. In addition, the claims are subject to 0.5% NSR payable to Falcon.

On July 7, 2020, the claims owned by 1544230 Ontario Inc. were acquired by EMX Royalty Corp.

Subsequent to year-end, the claims comprising the Bruce Lake Property expired and a consultant of the Company re-staked the claims on behalf of the Company.

Allison Lake North Property, Northwestern Ontario

On April 6, 2021, the Company entered into an option agreement with 1544230 Ontario Inc. and Gravel Ridge Resources Ltd. (the "Allison Vendors").

To acquire a 100% interest in the Allison Lake North Property, the Company is to make payments and issue common shares over a three-year period, as follows:

- a) \$12,000 on signing of the Option Agreement (paid),
- b) 400,000 shares (issued) following receipt of TSX-V approval of this transaction on April 21, 2021,
- c) \$16,000 (paid) and 400,000 shares (issued) due on or before one-year anniversary of TSXV Exchange approval,
- d) \$20,000 (paid) due on or before two-year anniversary of TSXV Exchange approval, and
- e) \$30,000 due on or before three-year anniversary of TSXV Exchange approval.

7. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

Canada, Ontario (Continued)

Allison Lake North Property, Northwestern Ontario (continued)

The claims are subject to 1.5% NSR.

On September 15, 2021, the claims owned by the Allison Vendors were acquired by Solstice Gold Corp.

Allison Lake North, Birkett and Costello Lake Townships, Northwestern Ontario

On April 28, 2022, the Company entered into a mineral claims acquisition agreement with 1544230 Ontario Inc. and Gravel Ridge Resources Ltd. (the "ABC Agreement").

To acquire a 100% interest in the Allison Lake North Birkett and Costello Lake Property, the Company made the following payments:

- a) \$2,000 (paid) on signing of the ABC Agreement,
- b) 200,000 shares (issued) following receipt of TSX-V approval of this transaction on May 11, 2022.

The claims are subject to 1.5% NSR to be granted by the Company to the owners of the Allison Lake claims.

Greenheart Property, Northwestern Ontario

On December 3, 2021, the Company entered into an option agreement with 1544230 Ontario Inc. and Gravel Ridge Resources Ltd. for the Greenheart Lake and McNamara Lake Lithium Properties located in Northwestern, Ontario (the "Greenheart Property").

To acquire a 100% interest in the Greenheart Property, the Company is to make payments and issue common shares over a three-year period, as follows:

- a) \$5,800 (paid) on signing of the Option Agreement,
- b) 300,000 shares (issued) following receipt of TSX-V approval of this transaction on December 14, 2021,
- c) \$12,000 (paid) and 200,000 (issued) shares due on or before one-year anniversary of TSXV approval,
- d) \$20,000 due on or before two-year anniversary of TSXV Exchange approval, and
- e) \$30,000 due on or before three-year anniversary of TSXV Exchange approval.

The claims are subject to 1.5% NSR to be granted by the Company to the owners of the Greenheart claims.

8. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) Escrow Shares:

There were no common shares held in escrow as at May 31, 2023 and 2022.

c) Issued and Outstanding as at May 31, 2023: 148,042,843 common shares

During the fiscal year ended May 31, 2023:

- (i) The Company issued 13,700,000 units for gross proceeds of \$548,000 on November 4, 2022. Each unit consists of one common share and one share purchase warrant. Each Warrant has a term of 24 months and entitles the holder to purchase one common share at a price of \$0.06 during the first year and \$0.10 during the second year. The Company paid \$3,200 in cash and issued 80,000 finder's fee warrants which are exercisable on the same terms as the subscribing investors and incurred other costs of \$4,440.
- (ii) The Company issued 9,800,000 units for gross proceeds of \$392,000 on November 30, 2022. Each unit consists of one common share and one share purchase warrant. Each Warrant has a term of 24 months and entitles the holder to purchase one common share at a price of \$0.06 during the first year and \$0.10 during the second year. The Company paid \$4,480 in cash and issued 112,000 finder's warrants which are exercisable on the same terms as the subscribing investors and incurred other costs of \$2,432.
- (iii) The Company issued 200,000 common shares with a fair value of \$8,000 on January 10, 2023, pursuant to a mineral property option agreement dated May 22, 2020, regarding the Greenheart Property.
- (iv) The Company issued 14,710,000 units for gross proceeds of \$735,500 on March 9, 2023. Each unit consists of one common share and one share purchase warrant. Each Warrant has a term of 36 months and entitles the holder to purchase one common share at a price of \$0.075. The Company paid \$31,850 in cash and issued 637,700 finder's warrants which are exercisable on the same terms as the subscribing investors and incurred other costs of \$7,090.

8. SHARE CAPITAL (CONTINUED)

During the fiscal year ended May 31, 2022:

- (i) The Company issued 200,000 common shares with a fair value of \$20,000 on June 16, 2021 pursuant to a mineral property option agreement dated May 22, 2020, regarding the Melema West Property.
- (ii) The Company issued 8,125,000 units for gross proceeds of \$650,000 on October 20, 2021. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at \$0.12 for three years. The Company paid \$38,700 in cash and issued 483,750 finder's fee warrants which are exercisable on the same terms as the subscribing investors and incurred other costs of \$4,763.
- (iii) The Company issued 7,777,781 units for gross proceeds of \$700,000 on November 2, 2021. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at \$0.12 for three years. The Company paid \$35,332 in cash and issued 392,584 finder's warrants which are exercisable on the same terms as the subscribing investors and incurred other costs of \$8,800.
- (iv) The Company issued 300,000 common shares with a fair value of \$33,000 on December 16, 2021, pursuant to a mineral property option agreement dated December 3, 2021, regarding the Greenheart Property.
- (v) The Company issued 400,000 common shares with a fair value of \$40,000 on May 21, 2021, pursuant to a mineral property option agreement dated April 6, 2021, regarding the Allison Lake North Property.
- (vi) The Company issued 200,000 common shares with a fair value of \$18,000 on May 13, 2022, pursuant to a mineral property option agreement dated April 28, 2022, regarding the Allison Lake North, Birkett and Costello Lake Townships Property.
- (vii) The Company issued 10,833,819 common shares during the fiscal year ended May 31, 2022, pursuant to the exercise of warrants for gross proceeds of \$541,691.

d) Stock Options:

The Company has an incentive share option plan for granting options to directors, employees, and consultants, under which the total outstanding options are limited to 10% of the outstanding common shares of the Company at any one time.

During the year ended May 31, 2022, the Company granted 1,250,000 stock options to certain officers, directors and consultants of the Company. Options vested on grant date, with an exercise price of \$0.12 per share until January 5, 2027.

During the year ended May 31, 2023, the Company granted 3,817,000 stock options to certain officers, directors and consultants of the Company. 2,750,000 options vested on grant date and 1,067,000 options vest quarterly, with an exercise price of \$0.065 per share until March 2, 2028.

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

8. SHARE CAPITAL (CONTINUED)

The following table summarizes the Company's stock option activity as at May 31, 2023:

	Number of Options	Weighted Average Exercise Price \$
Outstanding and exercisable, May 31, 2021	4,233,750	0.16
Granted	1,250,000	0.12
Expired	(358,750)	0.40
Outstanding and exercisable, May 31, 2022	5,125,000	0.13
Issued	3,817,000	0.065
Expired	(375,000)	0.48
Outstanding, May 31, 2023	8,567,000	0.09

Of the 3,817,000 stock options granted during the year, 2,750,000 stock options were exercisable as at May 31, 2023.

The fair values of the stock options were estimated using the Black Scholes option pricing model with the following assumptions:

	2023	2022
Share price	\$0.065	\$0.12
Risk free interest rate	3.34%	1.49%
Expected life	5 years	5 years
Expected volatility	133%	133%
Expected dividend	Nil	Nil

The following options were outstanding and exercisable at May 31, 2023:

Number of Options Outstanding	Number of Options Exercisable	Weighted average Exercise Price	Expiry Date	Remaining Life (in years)
1,500,000	1,500,000	\$0.08	February 27, 2024	0.75
2,000,000	2,000,000	\$0.12	July 13, 2025	2.12
1,250,000	1,250,000	\$0.12	January 5, 2027	3.60
3,817,000	2,750,000	\$0.065	March 2, 2028	4.76
8,567,000	7,500,000	\$0.09		2.81

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

8. SHARE CAPITAL (CONTINUED)

e) Restrictive Share Units

On March 2, 2023, in accordance with the terms of the Company's Equity Incentive Plan, the Company granted restricted share units ("RSUs") representing the right to receive up to an aggregate of 2,250,000 Common Shares, subject to the satisfaction of certain vesting conditions, to certain directors, officers, and employees of the Company.

The following table summarizes the Company's RSU activity as at May 31, 2023:

	Number of Restrictive Share Units	Weighted Average Price \$
Outstanding and exercisable, May 31, 2022 and 2021	-	-
Granted	2,250,000	0.065
Outstanding, May 31, 2023	2,250,000	0.065

The RSUs granted during the year vest on March 2, 2024.

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

8. SHARE CAPITAL (CONTINUED)

f) Warrants

During the year ended May 31, 2023, the Company issued 829,700 finder's warrants in connection with the private placement disclosed in Note 8 (c).

During the year ended May 31, 2022, the Company issued 876,334 finder's warrants in connection with the private placements disclosed in Note 8 (c). The fair value of finders' warrants was estimated using the Black Scholes option-pricing model with the following assumptions:

	2023	2022
Share price	\$0.04-\$0.10	\$0.14
Risk free interest rate	3.10-4.13%	1.00%
Expected life	2-3 years	3 years
Expected volatility	107-128%	137%
Expected dividend	Nil	Nil

The following table summarizes the Company's warrant activity as at May 31, 2023 and 2022:

	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, May 31, 2021	19,233,219	0.09
Issuance of private placement warrants	15,902,781	0.12
Issuance of finders' warrants	876,334	0.12
Exercise of warrants	(10,833,819)	0.05
Expiration of warrants	(376,000)	0.05
Outstanding and exercisable, May 31, 2022	24,802,515	0.13
Issuance of private placement warrants	38,210,000	0.06-0.075
Issuance of finders' warrants	829,700	0.06-0.075
Expiration of warrants	(1,718,400)	0.15
Outstanding and exercisable, May 31, 2023	62,123,815	\$0.09

Details of the warrants outstanding and exercisable at May 31, 2023:

Number of warrants	Exercise price	Expiry date	Remaining contractual life (in years)
6,305,000	\$0.15	November 9, 2023*	0.44
8,608,750	\$0.12	October 19, 2024	1.39
8,170,365	\$0.12	November 1, 2024	1.42
13,780,000	\$0.06	November 3, 2024	1.43
9,912,000	\$0.06	November 29, 2024	1.50
15,347,700	\$0.075	March 9, 2026	2.78
62,123,815	\$0.09		1.49

*TSX Venture Exchange (the "Exchange") has consented to the extension in the expiry date from November 9, 2022, to November 9, 2023. The Company incurred filing fee payment of \$750.

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following related parties' amounts have been included in accounts payable and accrued liabilities:

	2023	2022
	\$	\$
Amounts receivable	20,808	-
Accounts payable and accrued liabilities	854	7,266

The amounts are due to or advanced to companies controlled by directors of the Company. The amounts receivable, accounts payable and accrued liabilities are non-interest bearing, unsecured and are due upon demand.

Allowance for doubtful amounts receivable relate to amounts due from a public company having common directors with the Company relating to a cost-sharing arrangement whereby the Company is to be reimbursed for shared administrative and office expenses. During the year ended May 31, 2022, the Company recorded an allowance against the receivable of \$267,067 which represented 100% of the amounts receivable. During the fiscal year ended May 31, 2023, the Company recovered the amount of \$116,779 consisting of \$10,000 in cash, \$1,779 filing fee payment and 3,000,000 common shares with a fair value of \$105,000. Amounts receivable balance at May 31, 2023 is \$20,808 (2022: \$Nil).

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the officers and directors of the Company. The remuneration of key management is as follows:

	2023	2022
	\$	\$
Management fees	150,000	201,200
Professional fees	60,000	110,000
Share-based payments	156,755	70,284
	366,755	381,484

Management services were provided by companies controlled by one director of the Company.

Professional fees are paid to companies controlled by the chief financial officer and a director of the Company. The Company did not enter into any other transactions with related parties.

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

10. INCOME TAXES

The Company has losses carried forward of \$9,387,000 available to reduce income taxes in future years which expire between 2032 and 2043.

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2023	2022
Canadian statutory income tax rate	27%	27%
	\$	\$
Income tax recovery at statutory rate	668,197	645,789
Effect of income taxes of:		
Permanent differences and others	(123,413)	68,881
Change in deferred tax assets not recognized	(544,784)	(714,670)
Deferred income tax recoverable	-	-

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

	2023	2022
	\$	\$
Non-capital loss carry-forwards	2,534,622	2,325,306
Exploration and evaluation assets	810,168	471,599
Share issuance costs	29,262	32,363
Equipment	454	454
Deferred tax assets not recognized	(3,374,506)	(2,829,722)
	-	-

11. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash and marketable securities, which are classified as Level 1. The carrying value of amounts receivable and accounts payable approximate their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at May 31, 2023 are as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	\$	\$	\$	\$
Cash	65,139	-	-	65,139
Marketable securities	75,000	-	-	75,000

Fair value

The fair value of the Company's financial liabilities approximates their carrying value as at May 31, 2023, because of the demand nature or short-term maturity of these instruments.

The following table summarizes the carrying value of the Company's financial instruments:

	2023	2022
	\$	\$
Cash (i)	65,139	155,663
Marketable securities (i)	75,000	-
Amounts receivable (i)	20,808	-
Accounts payable (ii)	230,454	107,080

(i) FVTPL

(ii) Amortized cost

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

Financial risk management objectives and policies

The Company's financial instruments include cash, amounts receivable, marketable securities and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

The Company is exposed to foreign currency risk related to cash payments and exploration expenditures that are denominated in US dollars and Argentine Pesos. The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada. Management does not hedge its exposure to foreign exchange risk and the Company's net exposure is limited.

The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval (if required) and acceptance by regulatory authorities.

(ii) Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institution. The fair value interest rate risk on cash is insignificant due to their short - term nature.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist of cash and amounts receivable. To minimize the credit risk, the Company places these its cash with a high-quality financial institution. The Company is exposed to credit risk relating to amounts receivable from another publicly listed company.

(iv) Liquidity risk

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

13. SUBSEQUENT EVENTS

- a) August 3, 2023, the Company issued 13,450,000 units for gross proceeds of \$538,000. Each unit consists of one common share and one share purchase warrant. Each Warrant has a term of 36 months and entitles the holder to purchase one common share at a price of \$0.06. The Company paid \$13,160 in cash and issued 329,000 finder's warrants which are exercisable on the same terms as the subscribing investors and incurred other costs of \$4,755.
- b) August 14, 2023, the Company executed a Binding Letter of Intent (the "Binding LOI") to buyout the original Option agreements (Yergo Binding Letter Agreement - February 15, 2019, and the Binding Letter Agreement Addendum - May 12, 2021).
- c) September 22, 2023, the Company issued 9,650,000 units for gross proceeds of \$965,000. Each unit consists of one common share and one share purchase warrant. Each Warrant has a term of 36 months and entitles the holder to purchase one common share at a price of \$0.15.
- d) September 25, 2023, the Company executed a binding agreement (the "Binding Agreement") with the new Yergo optionor (successor to the Yergo Optionor) to acquire all rights and title to the Yergo Lithium Project concessions. Pursuant to the Binding Agreement, the Company paid consideration of \$600,000 USD. In accordance with the terms of the Binding Agreement, the Company will acquire 100% of the concession rights associated with the 2,932 hectare Yergo Lithium Project, upon acceptance of the required filing by the Ministry of Energy and Mining in Argentina.



PORTOFINO
RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED MAY 31, 2023

PORTOFINO RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR FISCAL ENDED MAY 31, 2023

The Management Discussion and Analysis ("MD&A"), prepared on September 26, 2023 should be read in conjunction with the audited consolidated financial statements for fiscal year ended May 31, 2023, together with the notes thereto of Portofino Resources Inc. ("Portofino") which were prepared in accordance with International Financial Reporting Standards.

This MD&A may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

Portofino Resources Inc. ("the Company") was incorporated on June 14, 2011, under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is Suite 520, 470 Granville Street, Vancouver, British Columbia, Canada. The Company's shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "POR". On October 10, 2018, the Company incorporated under the laws of Argentina, Portofino Argentina which has been non-active with no transactions occurring during the fiscal year ended May 31, 2023. The subsidiary is owned 95% by the Company and 5% by the Company's CEO.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at May 31, 2023, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The disclosure of technical information in this MD&A has been approved by Michael Kilbourne, P. Geo. and a Qualified Person ("QP") for the purposes of National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101"). Readers are directed to the section entitled "Scientific and Technical Disclosure" included within this MD&A.

Corporate Summary

During the fiscal year ended May 31, 2023, and up to the date of the MDA, the Company's management undertook and accomplished a number of corporate objectives, as follows:

1. **Yergo Project:** September 25, 2023, the Company executed a binding agreement (the "Binding Agreement") with the new Yergo optionor (successor to the original Yergo Optionor) to acquire all rights and title to the Yergo Lithium Project concessions. Pursuant to the Binding Agreement, the Company paid consideration of \$600,000 USD. In accordance with the terms of the Binding Agreement, the Company will acquire 100% of the concession rights associated with the 2,932 hectare Yergo Lithium Project, upon acceptance of the required filing by the Ministry of Energy and Mining in Argentina.
2. August 11, 2023, the Company executed a Binding Letter of Intent to buyout the original Yergo option agreements (Yergo Binding Letter Agreement - February 15, 2019, and the Binding Letter Agreement Addendum - May 12, 2021). The Binding LOI terms include concurrent: (1) removal of the legal injunction granted in the favour of Portofino; (2) transfer of all rights and title to the Yergo concessions to Portofino; and (3) payment of US\$600,000 by Portofino to the concession owner.

For further background, please see the Yergo Lithium Project Exploration Summary below.

3. Arizaro Project: August 2023, the Company submitted detailed proposals through a public tender process in Salta, Argentina, for two contiguous lithium concessions within the highly coveted Arizaro Salar. While the Company's success in the process is not guaranteed, the initial, (official) feedback suggests that the Company's financial proposals are extremely competitive with other major lithium participants. Additional aspects of the tender submissions, including community impact, sustainability and community/regional benefits, are also being assessed by officials and results are anticipated to be announced in October. As at the date of the MD&A the winning bids for the tender process have not yet been announced.

PORTOFINO RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR FISCAL ENDED MAY 31, 2023

September to December 2022, Portofino completed significant geological due diligence in collaboration with the state-owned resource company in Salta. Initial surface exploration work on this 8,445-hectare block (REMSa IX, Sub-Area IV) revealed a thick overburden (crust), however, samples at surface still assayed as high as 100 milligrams per litre ("mg/l") lithium, which is consistent with surface results of other groups exploring this mature salar. Additional exploration activity included: (a) 40 +surface brine samples collected and analysed; (b) 35 trenches reaching shallow water tables using excavation equipment; (c) 69,000 metres ("m") of geophysical surveying utilizing Vertical Electric Soundings ("VES") technology revealing aquifer depths up to 1,000m; and (d) Low resistivity horizons being identified and interpreted as brine targets potentially containing large concentrations of lithium. The VES results with the largest thickness in the low resistivity layer are anticipated to be the highest prospective areas of interest and are located in the east and south sections of the concession. The explored area shares geological characteristics with other areas in the same salt flat where brines with high lithium content have been detected at depth. Adjacent properties within the Arizaro salar, have been drilled to depths of more than 500 m, yielding prospective levels of 300 m to 400 m with >500 mg/L lithium.

4. Corporate Activity: September 2023, Portofino closed a non-brokered private placement financing for total gross proceeds of \$965,000. Proceeds are to be used primarily for the Yergo Lithium Project option agreement buy-out, as well as working capital and general corporate activities.

August 2023, as part of the Company's ongoing incentive plan for Directors, Management and Consultants and in accordance with the Company's Share Option Plan, it has granted options to purchase an aggregate of 6,500,000 common shares of the Company to certain directors, officers, employees, and consultants of the Company. Each Option is exercisable into one Common Share at an exercise price of \$0.05. The Options are subject to certain vesting conditions and expire five years from the grant date.

March 2023, as part of the Company's ongoing incentive plan for Directors, Management and Consultants that: (a) in accordance with the Company's Share Option Plan it has granted options to purchase an aggregate of 3,817,000 common shares of the Company, whereby each Option is exercisable into one Common Share at an exercise price of \$0.065. The Options are subject to certain vesting conditions and expire five years from the grant date; and (2) in accordance with the terms of the Company's Equity Incentive Plan, the Company has also granted restricted share units ("RSUs") representing the right to receive up to an aggregate of 2,250,000 Common Shares, subject to the satisfaction of certain vesting conditions.

October/November 2022, Portofino closed a non-brokered private placement financing for total gross proceeds of \$940,000. Proceeds are to be used primarily for exploration activities on Portofino's Argentine lithium and Canadian projects, as well as working capital and general corporate activities.

5. Allison Lake Project: January 2023, Portofino filed an independent National Instrument 43 - 101 ("**43-101**") technical report regarding its Allison Lake North Lithium Project. The 43-101 report has an effective date of December 10, 2022.

September 2022, the geological team re-mobilized to the Allison Lake Property. The objective of the fall 2022 reconnaissance program was to initiate sampling on Portofino's newly acquired claims near the southwestern contact of the Allison Lake Batholith, as well as additional sampling on the main claim group. The new claims are located just west and proximal to the SJ Pegmatite which is described in a 2003 Ontario Geological report as 'economically interesting' rare elements levels. In total, 28 grab samples and 23 select channel samples were collected, many of those in undocumented pegmatites within metasediments. Values of up to 230 ppm Lithium ("Li") were reported within metasediments adjacent to these undocumented dykes, and up to 622 ppm Rubidium ("Rb") within pegmatite. Of significance were a few Magnesium/Lithium ("Mg/Li") ratios in between 1 and 5 which signify highly evolved pegmatites and are good indications that these pegmatites are likely to be lithium bearing. Initial grab and channel samples by Portofino on the Allison Lake Property in 2021 returned up to 398 ppm Li, 90.5 ppm Cesium ("Cs"), 1040 ppm Rb and 135 ppm Tantalum ("Ta") (NR Sept 7, 2021). Follow-up sampling in the fall of 2021 returned values up to 412 ppm Li and 857 ppm Rb (NR Jan 14,2022).

September 2022, the Company received results of a high-resolution helicopter-borne magnetometer ("mag") geophysical survey completed by Prospectair Geosurveys, on the Allison Lake Property. The objective of the survey was to identify structural weaknesses, geological contacts and possible fractionation directions in the "Allison Batholith" that could potentially contain lithium bearing pegmatites. Results of the airborne survey will be instrumental in guiding upcoming channel and grab sampling programs. The Allison Lake area has attracted a significant number of exploration groups due to its excellent prospects. Portofino is well positioned in the heart of this fully staked, multi-company, critical mineral exploration region.

PORTOFINO RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR FISCAL ENDED MAY 31, 2023

Exploration Summary

Yergo Lithium Project, Argentina:

March 2021 Portofino completed a successful geophysical survey and surface geochemical sampling program at the Company's 100% controlled, Yergo Lithium Project (the "Yergo Project"), located in Catamarca Province, Argentina. The geophysical survey work followed up on encouraging Lithium ("Li") and Potassium ("K") analytical results generated by the Company's initial near-surface brine sampling program conducted in 2019.

The geophysical survey identified two large, anomalous sub-basins within the Aparejos Salar at the Yergo Project, which are characterized by very low resistivity (with low to very low resistivity values interpreted as corresponding to brine-bearing zones). The western sub-basin has approximate surface dimensions of 2,300 meters ("m") x 1,000m and a modeled depth of approximately 35m. The eastern sub-basin has an irregular surface expression measuring between 1,800m to 2,500m in length by approximately 700m in width with modeled depths of between 44m and 65m.

Coincident with the geophysical survey, the program included additional surface and near-surface brine sampling. Hand augers were utilized to open shallow holes to obtain the brine samples from surface to a maximum depth of 82 centimeters. Ten samples were collected and returned values of up to 336.97 mg/L Li and 7,159.78 mg/L K. Importantly, mineral impurities contained in the samples (such as magnesium) were very low.

Portofino's technical team has identified an initial 4 priority drill targets and a drilling contract has been finalized for a minimum 300 meters. In addition, Portofino has applied for a drill permit. Drill testing of the Yergo Project will enable initial evaluation of the volume and the lithium content of the brines and sediments within the sub-basin of previously identified zones.

September 22, 2022, the Company announced that it had received a Notice of Termination (the "Notice") from the claim owner and optionor of the Yergo Project in Catamarca, Argentina, regarding the April 2019 Binding Letter Option Agreement and the May 2021 Binding Letter Agreement Addendum (collectively the "Agreements"). The Notice purports to terminate the Agreements. The Company immediately and forcefully responded that claims made in the Notice are completely unsubstantiated, inaccurate, false, and malicious, and the Company rejects the purported termination as baseless and having no merit whatsoever. Portofino has not breached the Agreements and will defend its legal rights vigorously. Portofino has not breached the Agreements with respect to payments required to keep the Agreements in good standing and has further completed all required work on the property to advance the Yergo property from a greenfield project to one that has the potential to deliver significant value to the Province of Catamarca, the claim-owner and Portofino.

October 20, 2022, the Company announced that it had filed an objection to the Notice with the Ministry of Mining in the Province of Catamarca, and, was granted an injunction prohibiting the owner from entering into any alternative transaction.

August 11, 2023, the Company executed a Binding Letter of Intent to buyout the original Yergo option agreements (Yergo Binding Letter Agreement - February 15, 2019, and the Binding Letter Agreement Addendum - May 12, 2021). The Binding LOI terms include concurrent: (1) removal of the legal injunction granted in the favour of Portofino; (2) transfer of all rights and title to the Yergo concessions to Portofino; and (3) payment of US\$600,000 by Portofino to the concession owner. As at the date of the MD&A the option agreement buy-out remains pending.

September 25, 2023, the Company executed a binding agreement with the Yergo Optionor (the "Binding Yergo Agreement") to acquire all rights and title to the Yergo Lithium Project concessions.

Allison Lake North Lithium and Rare Elements Property, Ontario:

Reconnaissance mapping and sampling was completed on the Allison Lake North Lithium and Rare Earth Property (the "Allison Lake Property"), located 100 kilometers east of the town of Red Lake in northwestern Ontario, during the month of July 2021, the first such effort since 2003. Encouraging reconnaissance grab and channel sample results were received in early September 2021 and returned values up to **398 ppm Lithium ("Li")**, **90.5 ppm Cesium ("Cs")**, **1040 ppm Rubidium ("Rb")** and **135 ppm Tantalum ("Ta")**. This represents a two-fold increase in Li and Rb and a ten-fold increase in Ta over sampling results by the Ontario Geological Survey ("OGS") in 2003 which reported up to 190 ppm Li; 90 ppm Cs; 587 ppm Rb and 12.9 ppm Ta.

PORTOFINO RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR FISCAL ENDED MAY 31, 2023

September 2022, the geological team re-mobilized to the Allison Lake Property. In addition to expanding on the Company's initial exploration program where encouraging Lithium ("Li") and Tantalum ("Ta") values were discovered, the most recent sampling has also yielded elevated values for Niobium ("Nb") and Rubidium ("Rb").

In late September 2021, 35 channel samples (17 channel samples and 18 select channel samples) and 11 select grab samples were submitted to the lab for chemical and mineral analysis. The program returned values up to **412 ppm Li** and **857 ppm Rb** from select channel samples. Maximum values from both the June and September sampling programs of **143 ppm Ta** correspond to the Ta values reported from the "SJ Pegmatite" located just east of the southern claim group. Values of Ta at the SJ Pegmatite were described as "economically interesting" by author Breaks et al. in the 2003 Ontario Geological Survey ("OGS") report.

On January 3, 2023, the Company announced that it has filed an independent Technical Report (the "Technical Report") pursuant to National Instrument 43-101 ("NI 43-101") regarding its Allison Lake Property. The Technical Report has an effective date of December 10, 2022 and can be viewed either on www.sedar.com or on the Company's website at www.portofinoresources.com.

The following Exploration and Evaluation expenditures have been incurred by the Company as at May 31, 2023:

LITHIUM PROPERTIES	Canada					Argentina	Total	
	Allison	Greenheart Lake		McNamara Lake	Salta (Due Diligence)			Yergo
Balance, May 31, 2021	70,000	-	-	-	-	164,496	234,496	
Assays	5,339	-	-	-	-	-	5,339	
Consulting	488	-	-	-	-	-	488	
Drilling	-	-	-	-	-	28,698	28,698	
Geological services	52,610	75	-	159,375	-	-	212,060	
Property payment	76,000	19,400	19,400	-	1,313	-	116,113	
Survey	22,770	-	-	-	-	-	22,770	
Balance, May 31, 2022	227,207	19,475	19,400	159,375	194,507	-	619,964	
Balance, May 31, 2022	227,206	19,475	19,400	159,375	194,507	-	619,963	
Assays	3,042	-	-	-	-	-	3,042	
Field administration	-	-	-	11,708	-	-	11,708	
Geological services	24,343	12,711	12,717	953,535	-	-	1,003,306	
Property payment*	20,000	20,000	-	-	91,000	-	131,000	
Balance, May 31, 2023	274,591	52,186	32,117	1,124,618	285,507	-	1,769,019	

- Subsequent to year end, the Company entered into a binding agreement to buy-out the original Yergo option agreement (the "Binding Agreement"). Pursuant to the Binding Agreement, the concession owner and the Company have agreed to transfer the ownership of the Yergo Lithium Project concessions to the Company (see Note 13b and 13d).

GOLD PROPERTIES	Canada					South of Otter	Total
	Bruce Lake	Gold Creek	Melema	Sapawe			
Balance, May 31, 2021	116,685	497,394	84,783	48,898	272,509	-	1,020,269
Assays	-	20,523	1,607	-	428	-	22,558
Consulting	-	842	487	488	1,400	-	3,217
Geological services	-	7,700	15,344	15,000	1,334	-	39,378
Property payment	10,000	20,000	30,000	38,820	10,000	-	108,820
Balance, May 31, 2022	126,685	546,459	132,221	103,206	285,671	-	1,194,242
Balance, May 31, 2022	126,685	546,460	132,221	103,206	285,671	-	1,194,243
Consulting	-	1,000	-	-	-	-	1,000
Field administration	4,800	1,200	-	-	-	-	6,000
Geological services	2,800	-	-	4,105	-	-	6,905
Property payment	14,000	30,000	15,000	25,000	12,000	-	96,000
Balance, May 31, 2023	148,285	578,660	147,221	132,311	297,671	-	1,304,148

**PORTOFINO RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR FISCAL ENDED MAY 31, 2023**

Lithium & Critical Metal Properties

Allison Lake North, Birkett and Costello Lake Townships, Northern Ontario, Canada

The Company entered into an agreement with 1544230 Ontario Inc. and Gravel Ridge Resources Ltd. (the "Allison Optionors"), dated March 06, 2021, and was granted an option to acquire a 100% interest in the 1,618 hectare Allison Lake North Lithium and Rare Elements Property located 100 kilometres east of the town of Red Lake, Ontario.

To acquire a 100% interest in the Allison Lake Property, Portofino is to issue 800,000 common shares and make payments over a 3-year period totaling \$78,000, as set out below:

- a) \$12,000 (paid) on signing,
- b) 400,000 (issued) shares following receipt of TSX-V approval of this transaction on April 21, 2021,
- c) \$16,000 (paid) and 400,000 (issued) shares due on the first anniversary of TSX-V approval,
- d) \$20,000 (paid) due on the second anniversary of TSX-V approval, and
- e) \$30,000 due on the third anniversary of TSX-V approval.

The Allison Optionors retain a 1.5% NSR on all mineral production, 0.75% of which can be purchased by Portofino for \$400,000.

September 15, 2021, the claims owned by the Allison Lake Optionors were acquired by Solstice Gold Corp.

April 28, 2022, the Company extended the Allison Lake Property by 670 hectares by entering into an additional mineral claims acquisition agreement with the Allison Optionors for the Allison Lake North Birkett and Costello Lake Property (the "Allison Lake Extension").

To acquire a 100% interest in the Allison Lake Extension, the Company has made the following payments:

- a) \$2,000 (paid) on signing of the Option Agreement,
- b) 200,000 shares (issued) following receipt of TSX-V approval of this transaction on May 11, 2022.

The claims are subject to 1.5% NSR.

Greenheart Property, Northern Ontario, Canada

December 3, 2021, the Company entered into an option agreement with 1544230 Ontario Inc. and Gravel Ridge Resources Ltd. for the Greenheart Lake and McNamara Lake Lithium Properties located in Northwestern, Ontario (the "Greenheart Property").

To acquire a 100% interest in the Greenheart Property, the Company is to make payments and issue common shares over a three-year period, as follows:

- a) \$5,800 (paid) on signing of the Option Agreement,
- b) 300,000 shares (issued) following receipt of TSX-V approval of this transaction on December 14, 2021,
- c) \$12,000 (paid) and 200,000 (issued) shares due on or before one-year anniversary of TSXV Exchange approval,
- d) \$20,000 due on or before two-year anniversary of TSXV Exchange approval, and
- e) \$30,000 due on or before three-year anniversary of TSXV Exchange approval.

The claims are subject to 1.5% NSR.

PORTOFINO RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR FISCAL ENDED MAY 31, 2023

Yergo Lithium Brine Project, Catamarca, Argentina

Pursuant to an option agreement dated February 15, 2019, with a private Argentine concession owner (the "Yergo Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Yergo lithium brine project in Catamarca, Argentina. The concession area comprises approximately 2,932 hectares encompassing the full salar.

To acquire a 100% interest in the property, the Company had agreed to make annual escalating payments to the Yergo Optionor over a four-year period totaling US\$370,000 as follows:

- a) US\$10,000 on signing (paid),
- b) By the 1st anniversary of approval- US\$20,000 (paid),
- c) By the 2nd anniversary of approval- US\$70,000,
- d) By the 3rd anniversary of approval- US\$120,000, and
- e) By the 4th anniversary- US\$150,000.

August 14, 2020, the Company reached an agreement with the Yergo lithium project claim owner to amend the terms of its option agreement that enables Portofino to earn 100% interest in the project. The original Agreement required Portofino to make escalating payments totaling US\$370,000 over a 48-month period with the next payment of US\$70,000 due by February 2021. The Claim owner had agreed to extend the payments such that the next payment was not required until August 14, 2022. The amended total payments to the Claim owner remain US\$370,000 and are detailed as follows:

- a) US\$10,000 on signing agreement-(paid February 2019)
- b) By August 30, 2020- US\$20,000 (paid)
- c) By August 14th, 2022- US\$70,000 ^{(1) (2)}
- d) By August 14th, 2023- US\$120,000 ⁽²⁾
- e) By August 14th, 2024- US\$150,000 ⁽²⁾

(1) On September 22, 2022, the Company announced that it had received a notice of termination from the Yergo Optionor to terminate the underlying agreements with respect to the Yergo Lithium Brine Project. October 20, 2022, the Company announced it was granted a formal injunction by the Mining Court of the Province of Catamarca prohibiting the Yergo Optionor from undertaking any form of alternate transaction. A property payment due to the Optionor by October 13, 2022 (which includes a 60-day curative period from the original payment due date of August 14, 2022) was accrued pending dispute resolution.

(2) Subsequent to year end, the Company entered into a binding agreement to buy-out the original Yergo option agreement (the "Binding Agreement"). Pursuant to the Binding Agreement, the concession owner and the Company have agreed to transfer the ownership of the Yergo Lithium Project concessions to the Company (see Note 13b and 13d).

Gold Properties

South of Otter, Red Lake, Northern Ontario, Canada

Pursuant to an option agreement dated September 6, 2019, with 1544230 Ontario Inc. (the "SO Vendor"), the Company was granted an option to acquire a 100% undivided interest in the South of Otter property in the Red Lake area of Northern Ontario, Canada.

To acquire a 100% interest in the property, the Company has issued 500,000 common shares and is to make payments over a 4-year period to the SO Vendor totaling \$70,000, as set out below:

- a) \$15,000 (paid) on signing,
- b) 500,000 shares (issued) following receipt of TSX-V approval of this transaction on October 7, 2019,
- c) \$8,000 (paid) due on the first anniversary of TSX-V approval,
- d) \$10,000 (paid) due on the second anniversary of TSX-V approval,
- e) \$12,000 (paid) due on the third anniversary of TSX-V approval, and
- f) \$25,000 due on the fourth anniversary of TSX-V approval.

The vendor will retain a 1.5% Net Smelter Return ("NSR"), but Portofino has the right to purchase one half of the NSR (.75%) at any time up to commencement of production for a payment of \$400,000.

July 07, 2020, the claims owned by 1544230 Ontario Inc. were acquired by EMX Royalty Corp.

At year end, certain claims related to the South of Otter property were allowed to expire and subsequently re-acquired, while other claims were placed on hold pending the review of an extension of time request submitted by EMX

PORTOFINO RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR FISCAL ENDED MAY 31, 2023

subsequent to year-end. Certain claims have been approved for extension and certain others remain on hold, and subject to final acceptance by the Ministry of Mines of Ontario.

Gold Creek Property, Shebandowan, Northern Ontario, Canada

On May 11, 2020, the Company signed an Option agreement with Gravel Ridge Resources Ltd., that allows Portofino to earn a 100% interest in mining exploration claims held by Gravel Ridge, and located primarily in Duckworth Township, Ontario (Gold Creek Property).

To acquire a 100% interest in the project, the Company has agreed to issue 800,000 common shares of the Company to Gravel Ridge Resources and make cash payments of \$70,600, as set out below:

- a) \$8,600 (paid) on signing,
- b) 400,000 shares (issued) following receipt of TSX-V approval of this transaction on May 21, 2020,
- c) \$12,000 (paid) and 400,000 shares due (issued) on the first anniversary of TSX-V approval,
- d) \$20,000 (paid) due on the second anniversary of TSX-V approval, and
- e) \$30,000 (paid) due on the third anniversary of TSX-V approval.

On August 10, 2020, the Company entered into an Option Agreement Amendment with respect to the Gold Creek property whereby the Company and its partner each directly staked additional contiguous mining claims (3 mining claims/50 mining cells) and added these claims to the original Agreement.

On August 21, 2020, the Company entered into an agreement with two claim owners to purchase 100% interest in 2 Claims located in Duckworth Township, Ontario, contiguous to the Company's Gold Creek property. Consideration paid was \$10,000 and 125,000 shares as approved by the TSXV on September 4, 2020.

On September 15, 2021, the claims owned by Gravel Ridge Resources Ltd. were acquired by Solstice Gold Corp.

Sapawe West Property, Atikokan, Northern Ontario, Canada

The Company entered into an Option agreement with 1544230 Ontario Inc. dated May 22, 2020, to acquire a 100% interest in the Sapawe West Property Claims located in Schwenger and McCaul Townships, Ontario.

To acquire a 100% interest in the property, Portofino has agreed to issue 700,000 common shares and make payments over a 3-year period totaling \$62,000, as set out below:

- a) \$12,000 (paid) on signing,
- b) 500,000 shares (issued) following receipt of TSX-V approval of this transaction on May 28, 2020,
- c) \$10,000 (paid) and 200,000 (issued) shares due on the first anniversary of TSX-V approval,
- d) \$15,000 (paid) due on the second anniversary of TSX-V approval, and
- e) \$25,000 (paid)* due on the third anniversary of TSX-V approval.

*Payment completed June 5, 2023

1544230 Ontario Inc. retains 1.5% NSR on all mineral production, 0.75% of which can be purchased by Portofino for \$500,000.

Melema West Property, Atikokan, Northern Ontario, Canada

The Company entered into an agreement with 1544230 Ontario Inc., dated May 22, 2020, and was granted an option to acquire a 100% interest in Melema West Property located in Hutchinson, Bellmore Lake and Ramsay Wrights Townships, Ontario.

To acquire a 100% interest in the property, Portofino is to issue 700,000 common shares and make payments over a 3-year period to the Owner totaling \$62,000, as set out below:

- a) \$12,000 (paid) on signing,
- b) 500,000 shares (issued) following receipt of TSX-V approval of this transaction June 16, 2020,
- c) \$10,000 (paid) and 200,000 (issued) shares due on the first anniversary of TSX-V approval,
- d) \$15,000 (paid) on the second anniversary of TSX-V approval, and
- e) \$25,000* due on the third anniversary of TSX-V approval.

* Outstanding as at May 31, 2023

**PORTOFINO RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR FISCAL ENDED MAY 31, 2023**

1544230 Ontario Inc. retains a 1.5% NSR on all mineral production, 0.75% of which can be purchased by Portofino for \$500,000.

Bruce Lake Property, Red Lake, Northern Ontario, Canada

On June 20, 2020, the Company entered into an Option Assignment Agreement with Falcon Gold Corp. ("Falcon") to acquire a 100% interest in the 1,428 hectare Bruce Lake Property in the Red lake, Ontario gold district. Portofino issued 650,000 shares to Falcon. In addition, Portofino assumed the underlying claim holder payments which total \$52,000 over a 4-year option period. The Claims are subject to a 1.5% Net Smelter Return ("NSR") royalty pursuant to the Underlying Agreement. In addition, Portofino has agreed to grant Falcon a 0.5% NSR.

- a) 650,000 shares (issued) following receipt of TSX-V approval of this transaction July 8, 2020,
- b) \$8,000 (paid) assuming the cash payment due by Falcon Gold to 1544230 Ontario Inc.* on or before September 6, 2020,
- c) \$10,000 (paid) assuming the cash payment due by Falcon Gold to 1544230 Ontario Inc. on or before September 6, 2021,
- d) \$14,000 (paid) assuming the cash payment due by Falcon Gold to 1544230 Ontario Inc. on or before September 6, 2022,
- e) \$20,000 assuming the cash payment due by Falcon Gold to 1544230 Ontario Inc. on or before September 6, 2023.

*On July 07, 2020, the claims owned by 1544230 Ontario Inc. were acquired by EMX Royalty Corp.

Subsequent to year-end, the claims comprising the Bruce Lake property expired and a consultant of the Company re-staked the claims on behalf of the Company.

SELECTED ANNUAL FINANCIAL INFORMATION

	May 31, 2023	May 31, 2022	May 31, 2021	May 31, 2020
Financial results				
Net loss for the year	\$ (2,474,804)	\$ (2,391,812)	\$ (2,487,364)	\$ (950,337)
Comprehensive loss for the year	(2,474,804)	(2,391,812)	(2,487,364)	(950,337)
Basic and diluted loss per share	(0.02)	(0.03)	(0.04)	(0.04)
Financial position data				
Cash	\$ 65,139	\$ 155,663	\$ 274,111	\$ 301,749
Exploration and evaluation assets				
Total assets	353,905	277,011	540,434	443,544
Shareholders' equity (deficiency)	(402,878)	127,931	480,390	253,713

PORTOFINO RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR FISCAL ENDED MAY 31, 2023

RESULTS OF OPERATION

The following financial data has been derived from the audited financial statements for the fiscal year ended May 31, 2023, and 2022, respectively:

During the fiscal year ended May 31, 2023, the Company had a net loss and comprehensive loss of \$2,474,804 versus \$2,391,812 in the comparative period, being an increase of \$82,992 or 3%. The expenses and related costs that reflect changes in the Company's operations during the fiscal year ended May 31, 2023, includes the following:

- Advertising and promotion (2023: \$1,267, 2022: \$1,195) is related to face-to-face meetings with investors and other stakeholders;
- Consulting fees (2023: \$261,376, 2022: \$519,878) have decreased due to reduced activity on the Yergo Project and Canadian Projects;
- Interest expense (2023: \$360, 2022: \$Nil) is related to credit card interest expenses;
- Investor communications (2023: \$125,736, 2022: \$278,726) decreased during the period to directionally align with reduced activity in the global equity market;
- General exploration expenditures (2023: \$1,258,962, 2022: \$559,441) were incurred primarily for the Company's property exploration efforts in Northwestern Ontario, and project evaluation in Salta (Argentina);
- Management fees (2023: \$150,000, 2022: \$201,200) refers to advisory and services fee paid to two directors of the Company;
- Office expense (2023: \$128,005, 2022: \$153,739) decreased due to ongoing cost containment efforts, where costs incurred included: bank charges, website hosting, computer and internet subscriptions and services, news release dissemination, social media management, courier, postage, telephone expenses, insurance, benefits, and supplies;
- Professional fees (2023: \$227,351, 2022: \$188,169) increased due to the audit fee and legal fees;
- Rent expense (2023: \$16,443, 2022: \$14,686) decreased due to a greater proportion of rent being shared with another company, of which several key management personnel are also key management personnel;
- Share-based compensation (2023: \$213,987, 2022: \$125,000) relates to stock options issued;
- Transfer agent and filing fees (2023: \$43,634, 2022: \$43,359) increased in the normal course of business;
- Travel and promotion (2023: \$72,807, 2022: \$39,352) increased and is related to face-to-face meetings with project optionors, government officials in Argentina, investors, other stakeholders; and
- Allowance for doubtful amounts (2023: (\$61,655), 2022: \$267,067) due to a payment made to the Company from a separate publicly traded company and is related to a cost-sharing arrangement whereby the Company is reimbursed for shared administrative and office expenses. During the year ended May 31, 2022, the Company has recorded an allowance against the receivable of \$267,067 which represents 100% of the amount receivable. During the year ended May 31, 2023, the Company received a payment in the amount of \$116,779 consisting of \$10,000 in cash, \$1,779 filing fee payment and issuance of 3,000,000 Common shares worth \$105,000, and
- Unrealized loss, Marketable Securities (2023: \$30,000, 2022: \$Nil) relates to the 3,000,000 Common shares.

**PORTOFINO RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR FISCAL ENDED MAY 31, 2023**

SELECTED QUARTERLY FINANCIAL INFORMATION

The following information is derived from and should be read in conjunction with the audited financial statements for each of the past eight quarters which have been prepared in accordance with IFRS applicable to interim financial reporting including IAS 34.

Financial results	May 31, 2023	February 28, 2023	November 30, 2022	August 31, 2022
Net loss for the period	\$ (1,245,132)	\$ (275,286)	\$ (652,759)	\$ (301,627)
Comprehensive loss for the period	(1,245,132)	(275,286)	(652,759)	(301,627)
Basic and diluted loss per share	-	-	-	-
Balance sheet data				
Cash	\$ 65,139	\$ 125,246	\$ 188,071	\$ 41,490
Total assets	353,905	590,885	313,776	117,518
Shareholders' equity (deficiency)	(402,878)	389,107	59,442	173,696

Financial results	May 31, 2022	February 28, 2022	November 30, 2021	August 31, 2021
Net loss for the period	\$ (947,352)	\$ (640,806)	\$ (484,788)	\$ (318,866)
Comprehensive loss of the period	(947,352)	(640,806)	(484,788)	(318,866)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	-
Balance sheet data				
Cash	\$ 155,663	\$ 369,189	\$ 796,279	\$ 33,110
Total assets	277,011	675,566	1,069,270	276,388
Shareholders' equity	127,931	575,085	1,022,042	190,524

The Company has declared no dividends for any period presented.

LIQUIDITY AND CAPITAL RESOURCES

During the fiscal year ended May 31, 2023, Portofino had a working capital deficiency of \$402,878, which included a cash balance of \$65,139.

The Company does not currently own or have an interest in any producing mineral properties and does not derive any revenues from operations. Historical exploration and administrative activities have been funded through equity financing and the Company expects that it will continue to be able to utilize this source of financing until the Company has cash flow from operations. There can be no assurance, however, that efforts will be successful. If such funds are not available or other sources of financing cannot be obtained, then we will be curtailed to a level for which funding is available or can be obtained.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

OUTSTANDING SHARE DATA

As of the date of this MD&A, Portofino has 171,142,843 Common shares issued and outstanding; 85,552,815 share purchase warrants; 15,067,000 share options convertible into common shares; and 2,250,000 restricted stock units convertible into common shares.

**PORTOFINO RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR FISCAL ENDED MAY 31, 2023**

TRANSACTIONS WITH RELATED PARTIES

The following is a summary of the Company's related party transactions during the fiscal year ended May 31, 2023:

Name	Relationship	Purpose	May 31,2023	May 31,2022
Pacific Capital Advisors Inc.	Company controlled by David Tafel, CEO and Director of the Company	Advisory services related to CEO duties	\$150,000	\$200,000
Euro Sigma Mines Inc. and/or Stephen Wilkinson	Company controlled by Stephen Wilkinson, and Director of the Company	Advisory services	-	\$ 1,200
Seatrend Strategy Inc.*	Company controlled by Jeremy Wright, the CFO of the Company	CFO services	\$60,000	\$110,000

* The CFO Services Agreement was originally entered into between Mr. Wright's sole proprietorship, Seatrend Strategy Group, and the Company, however, the agreement was assumed by Seatrend Strategy Inc. August 1, 2022.

The following related parties' amounts have been included in amounts receivable and accounts payable and accrued liabilities:

	May 31, 2023	May 31, 2022
Amounts receivable	\$ 20,808	\$ -
Accounts payable and accrued liabilities	854	7,266

The amounts are due to or advanced to companies controlled by directors of the Company. The amounts receivable, accounts payable and accrued liabilities are non-interest bearing, unsecured and are due upon demand.

Allowance for doubtful amounts receivable relate to amounts due from a public company having common directors with the Company relating to a cost-sharing arrangement whereby the Company is reimbursed for shared administrative and office expenses. During the year ended May 31, 2022, the Company has recorded an allowance against the receivable of \$267,067 which represents 100% of the amounts receivable. During the year ended May 31, 2023, the Company received a payment in the amount of \$116,779 consisting of \$10,000 in cash, \$1,779 filing fee payment and 3,000,000 Common shares with a fair value of \$105,000. Amounts receivable balance at May 31, 2023 is 20,808. (2022: \$Nil).

NEW ACCOUNTING STANDARDS ADOPTED EFFECTIVE JUNE 1, 2021

The Company was not required to and has not adopted any new accounting standards effective June 1, 2021, which would have had a significant impact on the financial statements of the Company.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, and amendments to standards and interpretations, are not yet effective during the fiscal year ended May 31, 2023 and have not been early adopted in preparing these financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**PORTOFINO RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR FISCAL ENDED MAY 31, 2023**

FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash and marketable securities, which are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at May 31, 2023 are as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	\$	\$	\$	\$
Cash	65,139	-	-	65,139
Marketable securities	75,000	-	-	75,000

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at May 31, 2023, because of the demand nature or short-term maturity of these instruments.

The following table summarizes the carrying value of the Company's financial instruments:

	May 31, 2023	May 31, 2022
	\$	\$
Cash (i)	65,139	155,663
Marketable securities (i)	75,000	-
Amounts receivable (i)	20,808	-
Accounts payable (ii)	230,454	107,080
i. FVTPL		
ii. Amortized cost		

Financial risk management objectives and policies

The Company's financial instruments include cash, amounts receivable, promissory notes and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

PORTOFINO RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR FISCAL ENDED MAY 31, 2023

The Company is exposed to foreign currency risk related to cash payments, exploration expenditures and its promissory notes that are denominated in US dollars and Argentine Pesos. The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada. Management does not hedge its exposure to foreign exchange risk and the Company's net exposure is limited.

The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institution. The fair value interest rate risk on cash is insignificant due to their short-term nature.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist of cash and promissory notes. To minimize the credit risk the Company places these instruments with a high quality financial institution. The Company is exposed to credit risk relating to amounts receivable from another publicly listed company.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

Scientific and Technical Disclosure

The company's projects and those in which we have an interest are early stage and do not contain any mineral resource estimates as defined by NI 43-101. Technical Information is based on information contained in news releases (collectively the "Disclosure Documents") available under Portofino's company profile on SEDAR at www.sedar.com. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Our Disclosure Documents were in part prepared by or under the supervision of an independent Qualified Person ("QP"). Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. The disclosure in this MD&A has been made in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). The NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Michael Kilbourne, P.Geo. is the Company's QP for the purposes of NI 43-101 and has reviewed and validated the scientific or technical information contained in this MD&A related to the properties. Mr. Kilbourne has consented to the inclusion of the Technical Information in the form and context in which it appears in this MD&A.

SUBSEQUENT EVENTS

Please refer to note 13 of the audited condensed interim consolidated financial statements.