(An exploration stage business)

TIER ONE SILVER INC.

Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Tier One Silver Inc.

Opinion

We have audited the accompanying consolidated financial statements of Tier One Silver Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company had a net working capital deficit of $546,028 and incurred a net loss of $3,684,190 during the year ended December 31, 2024. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matters

The consolidated financial statements of Tier One Silver Inc. for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on April 9, 2024.

Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of Impairment Indicators of Mineral Property Interests ("E&E Assets")

As described in Note 5 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was $1,448,612 as of December 31, 2024. As more fully described in Note 3 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Asset.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Obtained an understanding of the key controls associated with evaluating the E&E Assets for indicators of impairment.
- Evaluated management's assessment of impairment indicators.
- Evaluated the intent for the E&E Assets through discussion and communication with management.
- Reviewed the Company's recent expenditure activity and expenditure budgets for future periods.
- Assessed compliance with agreements and expenditure requirements including reviewing option agreements and vouching payments.
- Obtained, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year ended and are therefore the key audit matters. We describe these matters in our auditor’s 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 auditor’s report is Daniel Nathan.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 23, 2025

Tier One Silver Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		As at December 31, 2024		As at December 31, 2023
Assets				
Current assets:				
Cash	$	**171,294**	$	825,589
Amounts receivable		**31,562**		48,535
Prepaid expenses, deposits and other (Note 4)		**206,945**		393,021
		409,801		1,267,145
Non-current assets:				
Equity investments (Note 6)		**100,588**		121,991
Equipment		**-**		37,595
Mineral property interests (Note 5)		**1,448,612**		2,237,373
Total assets	$	**1,959,001**	$	3,664,104
Liabilities and Equity				
Current liabilities:				
Accounts payable and accrued liabilities (Note 7)	$	**955,829**	$	546,311
Provision for site reclamation and closure (Note 8)		**-**		483,983
		955,829		1,030,294
Non-current liabilities:				
Accrued liabilities (Note 7)		**106,143**		98,741
Provision for site reclamation and closure (Note 8)		**394,050**		150,284
Total liabilities	$	**1,456,022**	$	1,279,319
Equity:				
Share capital (Note 9)	$	**31,575,075**	$	30,312,635
Shares to be issued (Note 17)		**163,584**		-
Equity reserves (Note 10)		**4,900,424**		4,557,384
Accumulated other comprehensive loss		**(104,767)**		(138,087)
Deficit		**(36,031,337)**		(32,347,147)
Total equity		**502,979**		2,384,785
Total liabilities and equity	$	**1,959,001**	$	3,664,104

Going concern (Note 1(c)); Commitment (Note 6), Subsequent events (Notes 6, 9(b), 10(b), 11(a) and 17)

Approved on behalf of the Board of Directors:

"Peter Dembicki"	*"Christy Strashek"*
President, CEO & Director	Director

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

Tier One Silver Inc.

Consolidated Statements of Loss and Comprehensive Loss
Unaudited (Expressed in Canadian dollars, except share amounts)

		Year ended December 31, 2024		Year ended December 31, 2023
Operating expenses:				
Exploration and evaluation	**$**	**947,113**	$	1,910,755
Fees, salaries, and other employee benefits		**958,117**		1,480,175
Legal and professional		**228,094**		225,339
Marketing and investor relations		**469,961**		704,443
Office and administration		**241,352**		358,021
Project investigation		**121,461**		183,903
Regulatory and transfer agent		**121,352**		93,856
Mineral property impairment (Note 5(ii) and (iii))		**881,622**		430,747
Equipment impairment		**29,695**		-
(Reversal of provisions) costs related to option terminations (Note 5(ii and iii))		**(286,327)**		31,070
		3,712,440		5,418,309
Other expenses (income):				
Accretion of provision for site reclamation and closure		**11,203**		11,577
Foreign exchange loss, net		**7,716**		20,469
Interest income		**(32,599)**		(42,400)
Share of net loss (income) from equity investments (Note 6)		**21,403**		(33,001)
Equity investment impairment (reversal) (Note 6)		**(35,973)**		104,402
Loss for the year	**$**	**3,684,190**	$	5,479,356
Other comprehensive (income) loss:				
Unrealized currency (gain) loss on translation		**(33,320)**		20,444
Comprehensive loss for the year	**$**	**3,650,870**	$	5,499,800
Basic and diluted loss per share	**$**	**0.02**	$	0.04
Basic and diluted weighted average number of shares outstanding		**167,380,571**		146,799,855

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

Tier One Silver Inc.

Consolidated Statements of Change in Equity
(Expressed in Canadian dollars, except share amounts)

	Number of common shares	Share capital	Shares to be issued	Equity reserves	Accumulated other comprehensive (loss) income	Deficit	Total equity
Balance at December 31, 2022	139,530,923	$ 27,001,612	$ -	$ 4,141,198	$ (117,643)	$ (26,867,791)	$ 4,157,376
Share-based payments	-	-	-	254,240	-	-	254,240
Units issued pursuant to offering, net of issue costs	20,415,000	3,342,559	-	130,410	-	-	3,472,969
Warrants issued for finders' fees	-	(31,536)	-	31,536	-	-	-
Other comprehensive loss	-	-	-	-	(20,444)	-	(20,444)
Loss for the year	-	-	-	-	-	(5,479,356)	(5,479,356)
Balance at December 31, 2023	**159,945,923**	**$ 30,312,635**	$ -	**$ 4,557,384**	**$ (138,087)**	**$ (32,347,147)**	**$ 2,384,785**
Share-based payments (Note 10(a))	**-**	**-**	**-**	**164,846**	**-**	**-**	**164,846**
Units issued pursuant to offering, net of issue costs (Note 9(b))	**10,603,600**	**1,204,100**	**-**	**186,534**	**-**	**-**	**1,390,634**
Warrants issued for finders' fees	**-**	**(7,630)**	**-**	**7,630**	**-**	**-**	**-**
Units to be issued in relation to share subscriptions received (Note 17)	**-**	**-**	**163,584**	**-**	**-**	**-**	**163,584**
Share options exercised (Note 9(b))	**500,000**	**65,970**	**-**	**(15,970)**	**-**	**-**	**50,000**
Other comprehensive income	**-**	**-**	**-**	**-**	**33,320**	**-**	**33,320**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(3,684,190)**	**(3,684,190)**
Balance at December 31, 2024	**171,049,523**	**$ 31,575,075**	**$ 163,584**	**$ 4,900,424**	**$ (104,767)**	**$ (36,031,337)**	**$ 502,979**

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

Tier One Silver Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		Year ended December 31, 2024		Year ended December 31, 2023
Operating activities:				
Loss for the year	**$**	**(3,684,190)**	$	(5,479,356)
Adjusted for:				
Interest income		**(32,599)**		(42,400)
Non-cash transactions:				
Mineral property impairment		**881,622**		430,747
Equipment impairment		**29,695**		-
Share-based payments		**164,846**		254,240
Depreciation		**10,668**		10,511
Accretion of provision for site reclamation and closure		**11,203**		11,577
Unrealized foreign exchange loss		**1,323**		7,407
Share of net loss (income) from equity investments		**21,403**		(33,001)
(Reversal of provisions) costs related to option terminations		**(286,327)**		31,070
Equity investment impairment (reversal)		**(35,973)**		104,402
Changes in non-cash working capital:				
Amounts receivable		**17,316**		(30,435)
Prepaid expenses, deposits, and other		**226,631**		310,640
Accounts payable and accrued liabilities		**393,543**		171,181
Cash used in operating activities		**(2,280,839)**		(4,253,417)
Investing activities:				
Mineral property additions		**-**		(1,671)
Interest income received		**32,599**		42,400
Cash provided by investing activities		**32,599**		40,729
Financing activities:				
Proceeds from issuance of units, net of share issue costs		**1,377,666**		3,485,937
Proceeds from securities pending to be issued, net of costs		**163,584**		-
Proceeds from share options exercised		**50,000**		-
Cash provided by financing activities		**1,591,250**		3,485,937
Effect of foreign exchange rate changes on cash		**2,695**		(1,009)
Change in cash		**(654,295)**		(727,760)
Cash, beginning of the year		**825,589**		1,553,349
Cash, end of the year	**$**	**171,294**	$	825,589

Supplemental cash flow information (Note 13)

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

1. Business Overview

(a) Corporate information

Tier One Silver Inc. (the "Company" or "Tier One") is incorporated under the British Columbia Business Corporations Act and is listed on the TSX Venture exchange ("TSXV"). The Company's common shares trade under the symbol TSLV in Canada and under the US symbol TSLVF on the OTCQB Venture Market. Tier One's registered and records office is located at 1500-1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

The Company is principally engaged in the acquisition and exploration of mineral resource property interests with a focus on South America.

(b) Nature of operations

The Company's primary asset is the 100% owned Curibaya property in southern Peru, which was originally staked by the Company's corporate predecessor in 2015 and has since been expanded through a combination of acquisitions and additional staking.

The Company has not yet determined whether its properties contain mineral reserves where extraction is both technically feasible and commercially viable. Tier One operates in one operating segment, being the acquisition and exploration of mineral resource properties in South America.

(c) Going concern

As at December 31, 2024, the Company had a net working capital deficit of $546,028 (December 31, 2023 – surplus of $236,851) and incurred a loss of $3,684,190 for the year ended December 31, 2024 ($5,479,356 for the year ended December 31, 2023). The Company has no operating revenue to date and no operating cash flows to support its activities. With no source of operating cash flow, there is no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. Although the Company has had success raising capital in the past, the ability to continue as a going concern remains dependent upon its continued ability to obtain the financing necessary to fund its mineral properties and exploration programs, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. These conditions create material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements ("financial statements") have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations.

These financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of Preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved and authorized for issuance on April 23, 2025, by the Board of Directors.

(b) Basis of presentation

These financial statements have been prepared on a historical cost basis. In addition, except for cash flow information, these financial statements have been prepared using the accrual method of accounting.

(c) Basis of consolidation

These financial statements include the financial information of the Company and entities controlled by the Company. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the financial statements from the date control commences until the date control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company. A summary of the Company's subsidiaries included in these financial statements as at December 31, 2024, is as follows:

Subsidiary	Place of incorporation	Functional currency	Beneficial interest
Corisur Peru, S.A.C. ("Corisur")	Peru	US$	100%
Magma Minerals, S.A.C. ("Magma")	Peru	US$	100%

These financial statements include a 50% investment in Universal Mineral Services Peru S.A.C. ("UMS Peru") and a 25% investment in Universal Mineral Services Ltd. ("UMS Canada") (Note 6). Having recently relinquished the Corisur claims, the Corisur entity is now dormant and is in the process of being dissolved.

(d) Functional and presentation currency

The financial statements of the Company and each of its subsidiaries are prepared in its functional currency determined on the basis of the primary economic environment in which such entities operate. The Company's functional and presentation currency is the Canadian dollar while the functional currency of its Peruvian subsidiaries is the United States dollar. These financial statements are presented in Canadian dollars, unless otherwise noted. Amounts denominated in United States dollars are denoted as US$.

3. Material accounting policies

(a) Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing rates and non-monetary items measured at historical cost are translated into the entity's functional currency at rates in effect at the date the transaction took place.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the year or in previous financial statements are included in the consolidated statements of loss and comprehensive loss for the period in which they arise.

Since the Company's presentation currency differs from the functional currency of its Peruvian subsidiaries, Tier One translates the Peruvian subsidiaries' results and financial position as follows:

i. Assets and liabilities for each statement of financial position are translated at the closing exchange rate at the date of that statement of financial position;

ii. Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at an exchange rate that approximates the exchange rates at the date of the transactions, determined to be the average rate for the period; and

iii. All resulting exchange rate differences are recognized in other comprehensive income.

(b) Cash

Cash consists of cash on hand and demand deposits.

(c) Equity investments

The Company conducts a portion of its business through equity interests in an associate and a joint venture. An associate is an entity over which the Company has significant influence yet is neither a subsidiary nor a joint venture. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policy decisions. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control exists only when the decisions about relevant activities require the unanimous consent of the parties that control the arrangement.

The Company accounts for its investments in associate and joint venture using the equity method. Under the equity method, the Company's investment in any associate or joint venture is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate or joint venture, after any adjustments necessary to give effect to uniform accounting policies, and for impairment losses after the initial recognition date. The Company's share of an associate or joint venture's losses that are in excess of its investment are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. The Company's share of earnings and losses of its associate and joint venture are recognized in net loss during the year.

(d) Mineral property interests and exploration expenditures

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the common ambiguous conveyancing historical characteristic of many properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, titles to all of its properties are in good standing.

The Company accounts for mineral property interests in accordance with IFRS 6 – Exploration for and evaluation of mineral properties ("IFRS 6").

Costs directly related to acquiring the legal right to explore a mineral property including addition of licenses, mineral rights, and similar acquisition costs are recognized and capitalized as mineral property interests. Acquisition costs incurred in obtaining the legal right to explore a mineral property are deferred until the legal right is granted and thereon reclassified to mineral property interests. Transaction costs incurred in acquiring an asset are deferred until the transaction is completed and then included in the purchase price of the asset acquired.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation activities, including but not limited to annual concession fees, costs related to surface access agreements, researching and analyzing existing exploration data, conducting geological studies, exploration drilling and sampling, payments made to contractors and consultants in connection with the exploration and evaluation of the property, are expensed as exploration costs in the period in which they occur.

Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed as administrative costs in the period in which they occur.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to exploration and evaluation costs.

When a project is deemed to no longer have commercially viable prospects and/or exploration merit to the Company, all capitalized costs in respect of that project are deemed to be impaired. As a result, those costs, in excess of the estimated recoverable amount, are written off to the consolidated statement of loss and comprehensive loss.

The Company assesses mineral property interests for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development, at which point the assets and further related costs no longer fall under the guidance of IFRS 6.

(e) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(f) Provision for site reclamation and closure

An obligation to incur rehabilitation and site restoration costs arises when an environmental disturbance is caused by the exploration, development or on-going production of a mineral property interest. Such costs arising from the decommissioning of drill pads, roads, plant, and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the consolidated statement of loss and comprehensive loss over the life of the operation through amortization and the unwinding of the discount over time in the provision. Costs for restoration of subsequent site damage, which is created on an on-going basis during production, are provided for at their estimated net present values and charged against earnings/loss as extraction progresses.

(g) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal of impairment is recognized in the consolidated statement of loss and comprehensive loss.

(h) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share options and share purchase warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new equity instruments are recognized as a deduction from equity, net of tax. Equity instruments issued to agents as financing costs are measured at their fair value at the date the services were provided.

Valuation of equity units issued in private placements

The Company allocates the proceeds from the issuance of units between common shares and share purchase warrants using the residual value method at the date of issuance. The fair value of the common shares is based on the market closing price on the date the units are issued and the fair value of the share purchase warrants is measured as the difference between this amount and the net proceeds received.

Any value attributed to the warrants is recorded to equity reserves. Upon exercise, the fair value is reallocated from equity reserves to issued share capital along with the associated proceeds from exercise.

(i) Loss per share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. The diluted loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding on a diluted basis. The weighted average number of shares outstanding on a diluted basis takes into account the additional shares for the assumed exercise of share options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding share options were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period.

(j) Share-based payments

From time to time, the Company grants share options to employees and non-employees/service providers. An individual is classified as an employee, versus a non-employee, when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of share options, measured using the Black-Scholes option pricing model at the date of grant, is charged to the consolidated statement of loss and comprehensive loss over the vesting period. Performance vesting conditions and forfeitures are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Where the terms and conditions of options are modified before they vest, the incremental fair value resulting from the modification is charged to the consolidated statement of loss and comprehensive loss over the remaining vesting period.

Equity instruments granted to non-employees are recorded in the consolidated statement of loss and comprehensive loss at the fair value of the goods or services received, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for a share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are recorded in equity reserves until exercised. Upon exercise, shares are issued from treasury and the amount previously recorded in equity reserves is reclassified to share capital along with any consideration received.

(k) Income taxes

Income taxes reported in the consolidated statement of loss and comprehensive loss for any given period comprises current and deferred income tax. Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax is based on the local taxable income at the local statutory tax rate enacted or, substantively enacted, at the reporting date and includes any adjustments to tax payable or recoverable with regards to previous periods. Deferred income tax is determined using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the expected future tax rates enacted or substantively enacted at the reporting date. A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

(l) Financial instruments

The Company recognizes financial assets and liabilities on its statement of financial position when it becomes a party to the contract creating the asset or liability.

On initial recognition, all financial assets and liabilities are recorded by the Company at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as fair value through profit or loss ("FVTPL") for which transaction costs are expensed in the period in which they are incurred.

Amortized cost

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

The Company's financial assets at amortized cost include cash, amounts receivable, and deposits.

<u>Financial liabilities</u>

Financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating amortized cost of a financial liability and allocating the interest expense over the related period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Company's financial liabilities at amortized cost include accounts payable and accrued liabilities.

<u>Impairment</u>

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

(m) Comprehensive loss

Other comprehensive loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive loss comprises net loss and other comprehensive loss. Foreign currency translation differences arising on translation of foreign subsidiaries are also included in other comprehensive loss.

(n) Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

Critical accounting judgments exercised in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the financial statements are as follows:

i. Functional currency

Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

ii. Economic recoverability and probability of future economic benefits of mineral property interests

Management has determined that the acquisition of mineral properties and related costs incurred, which have been recognized on the consolidated statements of financial position, are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geological data, scoping studies, accessible facilities, and existing and future permits.

iii. Indications of impairment of assets

Impairment testing is done at the cash generating unit level and judgment is involved in assessing whether there is any indication that an asset or a cash generating unit may be impaired. The assessment of the impairment indicators involves the application of a number of significant judgments and estimates to certain variables, including metal price trends, exploration plans for properties and the results of exploration and evaluation to date.

iv. Income taxes

The provision for income taxes and composition of income tax assets and liabilities require management's judgment. The application of income tax legislation also requires judgment in order to interpret legislation and to apply those findings to the Company's transactions.

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

i. Provisions

Provisions recognized in the financial statements involve judgments on the occurrence of future events, which could result in a material outlay for the Company. In determining whether an outlay will be material, the Company considers the expected future cash flows based on facts, historical experience and probabilities associated with such future events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported.

ii. Reclamation obligations

Management assesses its reclamation obligations annually and when circumstances suggest that a material change to the obligations may have occurred. Significant estimates and assumptions are made in determining the provision for site reclamation and closure, as there are numerous factors that will affect the ultimate liability that becomes payable. These factors include estimates of the extent, the timing and the cost of reclamation activities, regulatory change, inflation, and changes in discount rates. Those uncertainties may result in actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future reclamation costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the reclamation asset and liability.

iii. Share-based payments

The Company determines the fair value of options granted using the Black-Scholes option pricing model. This option pricing model requires the development of market-based subjective inputs, including the risk-free interest rate, expected price volatility, and expected life of the option. Changes in these inputs and the underlying assumptions used to develop them can materially affect the fair value estimate.

iv. Deferred tax assets and liabilities

Management judgment and estimates are required in assessing whether deferred tax assets and deferred tax liabilities are recognized in the consolidated statements of financial position. Judgments are made as to whether future taxable profits will be available in order to recognize deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, and other capital management transactions. These judgments and assumptions are subject to risk and uncertainty and changes in circumstances may alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the consolidated statements of financial position and the benefit of other tax losses and temporary differences not yet recognized.

(o) Application of new and revised accounting standards

The Company adopted the following new accounting standards and amendments to accounting standards, effective January 1, 2024:

On January 23, 2020, and October 31, 2022, the IASB issued amendments to IAS 1 to clarify that the classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period and that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. For liabilities with covenants, the amendments clarify that only covenants with which an entity is required to comply on or before the reporting date affect the classification as current or non-current. The adoption of the amended Standard, effective January 1, 2024, did not impact the financial statements of the Company.

On September 22, 2022, the IASB issued amendments to IFRS 16 to add subsequent measurement requirements for sale and leaseback transactions, particularly those with variable lease payments. The amendments require the seller-lessee to subsequently measure lease liabilities in a way such that it does not recognize any gain or loss relating to the right of use it retains. The adoption of the amended Standard, effective January 1, 2024, did not impact the financial statements of the Company.

On May 25, 2023, the IASB issued amendments to IAS 7 requiring entities to provide qualitative and quantitative information about their supplier finance arrangements. In connection with the amendments to IAS 7, the IASB also issued amendments to IFRS 7 requiring entities to disclose whether they have accessed, or have access to, supplier finance arrangements that would provide the entity with extended payment terms or the suppliers with early payment terms. The adoption of the amended Standard, effective January 1, 2024, did not impact the financial statements of the Company.

(p) Standards issued but not yet effective

On April 9, 2024, the IASB issued a new standard, IFRS 18 Presentation and Disclosure in Financial Statements, to improve the reporting of financial performance. IFRS 18 introduces categories and defined subtotals in the statement of profit or loss, disclosures on management-defined performance measures, and requirements to improve the aggregation and disaggregation of information in the financial statements. As a result of IFRS 18, amendments to IAS 7 were also issued to require that entities use the operating profit subtotal as the starting point for the indirect method of reporting cash flows from operating activities and also to remove presentation alternatives for interest and dividends paid and received. IFRS 18 replaces IAS 1 Presentation of Financial Statements and will be effective for annual reporting periods beginning on or after 1 January 2027, and is to be applied retrospectively, with early adoption permitted. The Company is in the process of assessing the impact of this new accounting standard on the consolidated financial statements.

On May 30, 2024, the IASB issued Amendments IFRS 9 and IFRS 7 which clarify the date of initial recognition or derecognition of financial liabilities, including financial liabilities that are settled in cash using an electronic payment system. The amendments also introduce additional disclosure requirements to enhance transparency regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. These amendments are effective for annual periods beginning on or after January 1, 2026, with early adoption permitted. The Company is currently assessing the impact, if any, of the amendments on the consolidated financial statements.

(Expressed in Canadian dollars)

4. Prepaid expenses, deposits and other

The Company's prepaid expenses, deposits and other consist of the following:

	December 31, 2024	December 31, 2023
Community and surface agreements	**$ 43,389**	$ 64,839
Exploration and evaluation	**29,705**	23,375
General, administration and marketing	**32,641**	244,321
UMS Canada and UMS Peru (Note 11(a))	**101,210**	60,486
Total prepaid expenses, deposits and other	**$ 206,945**	$ 393,021

The Company makes short term advances to third parties in the normal course of business and to UMS Canada and UMS Peru in accordance with the respective service agreements (Note 6). Typically, such prepayments are made in relation to annual insurance policies, software renewals and marketing activities, such as conference fees, plus the working capital deposits held by UMS Canada and UMS Peru (Note 11(a)).

As a normal part of the exploration process, the Company enters into access and use agreements with the local communities which provide the Company with surface rights to the respective areas over the term of the agreement. On June 12, 2024, the Company renewed its surface rights agreement with the local community at the Curibaya project for a one-year period.

5. Mineral property interests

A continuity of the Company's mineral property interests is as follows:

Mineral property interests	**Curibaya**	**Hurricane**	**Other**	**Total**
Balance as at December 31, 2022	$ 1,398,690	$ 368,683	$ 945,220	$ 2,712,593
Mineral property addition	1,671	-	-	1,671
Mineral property impairments	-	(368,643)	(62,104)	(430,747)
Recognition of provision for site reclamation and closure	(3,453)	-	-	(3,453)
Currency translation adjustment	(20,746)	(40)	(21,905)	(42,691)
Balance as at December 31, 2023	$ 1,376,162	$ -	$ 861,211	$ 2,237,373
Mineral property impairment	**-**	**-**	**(881,622)**	**(881,622)**
Recognition of provision for site reclamation and closure	**(2,969)**	**-**	**-**	**(2,969)**
Currency translation adjustment	**75,419**	**-**	**20,411**	**95,830**
Balance as at December 31, 2024	**$ 1,448,612**	**$ -**	**$ -**	**$ 1,448,612**

The Company's mineral property projects, located in southern Peru, are outlined below:

i) Curibaya

Curibaya is a wholly owned project that covers approximately 17,000 hectares ("ha") in southern Peru located approximately 48 kilometres ("km") from the provincial capital, Tacna. Within the Curibaya project, the

Sambalay and Salvador concessions are subject to a 1.5% and 2.0% net smelter return royalty, respectively. In addition, the Salvador concessions are subject to a US$2.0 million production payment, payable at the time a production decision is made.

During the year ended December 31, 2024, the Company incurred $933,669 of exploration and evaluation expenses on Curibaya ($1,588,899 for the year ended December 31, 2023).

ii) Hurricane

On October 20, 2023, the Company gave notice to Pembrook Copper Corp. ("Pembrook") that it was terminating the share purchase option agreement (the "Hurricane Option") which provided the Company the option to acquire Pembrook's Peruvian subsidiary, Compañia Minera Tororume S.A.C. ("Tororume"), which owned the Hurricane project located approximately 66 km north of the city of Cusco in southeastern Peru. As a result, during the year ended December 31, 2023, the Company impaired all previously capitalized costs and as at December 31, 2024, there are no costs capitalized in relation to this project.

During the year ended December 31, 2024, the Company recorded an expense recovery in the amount of $123,854 related to the reversal of a provision that had been recorded for estimated final costs to complete the termination of the Hurricane Option, which termination is now complete. No further material costs are anticipated.

The Company incurred $nil of exploration and evaluation expenses on the Hurricane project during the year ended December 31, 2024 ($263,445 for the year ended December 31, 2023).

iii) Other

Corisur claims

The Corisur claims, covering approximately 1,300 ha, consisted of the Tacora, Tacora Sur and Andamarca concessions which are located in the Peru designated border zone, and as a result unconditional ownership could only be achieved in the future by obtaining a Supreme Decree. During the year ended December 31, 2024, the Company made the decision to relinquish the non-core Corisur project and has recorded an impairment charge of $881,622 to write off all capitalized costs associated with these claims.

During the year ended December 31, 2024, the Company reversed a provision and recorded an expense recovery in the amount of $162,473 (US$120,000). The provision had been recorded in 2021 in relation to anticipated final costs for the orderly closure of the Huilacollo option and permit, all of which have been completed. No further material costs are anticipated.

Coastal Batholith

Coastal Batholith is a wholly owned project on the Pacific Ocean coast of Peru acquired through staking and covers approximately 3,500 ha, after relinquishing many of the concessions in each of 2022 and 2023 to retain only what the Company considers the most prospective areas. All costs related to the staking of the Coastal Batholith project were impaired in 2023 as the plan for this early stage, non-core asset was uncertain then, and still is, and therefore, as at December 31, 2024, the balance remains $nil.

Exploration and evaluation costs incurred on other properties

On the Company's properties that are grouped as other, which included the Coastal Batholith and Corisur claims, the Company recorded net exploration and evaluation expenses of $13,444 during the year ended December 31, 2024 ($58,411 for the year ended December 31, 2023). In both the years ended December 31, 2024, and 2023, the Company recorded a reversal of the prior year's validity fees that had been accrued for the claims that were relinquished in the respective period.

(Expressed in Canadian dollars)

6. Equity investments

Investment in Associate - UMS Canada

UMS Canada is located in Vancouver, BC, and provides administrative, geological, accounting and other advisory services to the Company and three other non-related companies on a cost recovery basis. In 2022, the Company acquired a 25% share interest in UMS Canada and accounts for this investment as an associate. UMS Canada is party to an office lease agreement with an initial term of ten years, for which certain rent expenses will be payable by the Company. As at December 31, 2024, UMS Canada had entered into a 3rd party sublease agreement, which reduces the Company's share of future lease payments to approximately $0.1 million in total for the remaining 6.5-year term of the lease.

Investment in Joint Venture - UMS Peru

UMS Peru is a company incorporated under Peruvian law, which in the past provided administrative and geological services to Magma, Corisur and the Peruvian subsidiary of a non-related company. In 2022, the Company acquired a 50% ownership of UMS Peru and accounts for this investment as a joint venture. UMS Peru charges its services at cost plus a markup of 5% for administrative services and 7% for geological services.

During Q4 2023, UMS Peru stopped providing services to the Company and is currently in the process of being wound up. As a result, the Company recorded a total impairment of $104,402 through the statement of loss for the year ended December 31, 2023, in relation to its investment in UMS Peru, being net assets of $41,976, and a working capital deposit of $62,426 (US$47,200) held by UMS Peru, which was not expected to be recovered. As at December 31, 2024, based on the funds remaining in UMS Peru after the wind-up process had been substantially completed, the Company recorded an impairment reversal in the amount of $35,973 (US$25,000) for the year then ended. Subsequent to year end, these funds were repaid by UMS Peru to the Company.

Summarized financial information of UMS Canada and UMS Peru

The Company's share of net losses (income) of UMS Canada and UMS Peru were as follows:

For the year ended December 31, 2024		**UMS Canada**		**UMS Peru**
Cost recoveries	$	(3,507,911)	$	-
Geological services		1,208,071		-
Administrative services		2,385,453		-
Net loss for the year		85,613		-
Company's share of net loss	**$**	**21,403**	**$**	**-**

For the year ended December 31,2023		**UMS Canada**		**UMS Peru**
Cost recoveries	$	(5,517,220)	$	(1,009,402)
Geological services		1,907,436		584,622
Administrative services		3,629,917		348,713
Net loss (income) for the year		20,133		(76,067)
Company's share of net loss (income)	**$**	**5,033**	**$**	**(38,034)**

(Expressed in Canadian dollars)

The carrying amounts of the Company's investments in UMS Canada and UMS Peru as at December 31, 2024, were as follows:

		UMS Canada		UMS Peru		Total
Carrying amount as at December 31, 2022	$	127,024	$	3,942	$	130,966
Company's share of net (loss) income for the year		(5,033)		38,034		33,001
Impairment of investment		-		(41,976)		(41,976)
Carrying amount as at December 31, 2023	**$**	**121,991**	**$**	**-**	**$**	**121,991**
Company's share of net loss for the year		**(21,403)**		**-**		**(21,403)**
Carrying amount as at December 31, 2024	**$**	**100,588**	**$**	**-**	**$**	**100,588**

The Company's equity interest in net assets and liabilities of UMS Canada and UMS Peru as at December 31, 2024, were as follows:

		UMS Canada		UMS Peru
Current assets	$	934,179	$	49,212
Non-current assets		2,043,427		22,721
Current liabilities		(1,344,667)		(71,933)
Non-current liabilities		(1,230,589)		-
Net assets - 100%		402,350		-
Company's equity interest in net assets at December 31, 2024	**$**	**100,588**	**$**	**-**

7. Accounts payable and accrued liabilities

The Company records accounts payable and accrued liabilities that arise in the normal course of business, in relation to its exploration and evaluation, and other activities. More specifically, the Company makes accruals for annual concession and related penalty fees in the period to which they relate. Despite Peruvian rules allowing companies to defer payment of these fees, the Company does not have a practical ability to avoid such payments, as such avoidance would result in the loss of its mineral properties.

As at December 31, 2024, the Company has accrued a total provision of $299,683 for concession validity and penalty fees to be paid by June 30, 2025, and June 30, 2026 ($304,950 accrued as at December 31, 2023, payable by June 30, 2024, and June 30, 2025).

8. Provision for site reclamation and closure

The Company has recorded a provision for site reclamation and closure at the Curibaya project resulting from disturbance caused by its 2021 drill program. The amount of the provision reflects the present value of the estimated amount of cash flows that will be required to complete reclamation work in accordance with the Company's drill permit and community access agreement. The components of this obligation are costs associated with the reclamation and closure of the drill platforms, water wells and access roads built on the property as at December 31, 2024, the demobilization and reclamation of the camp housing and site, and the Company's constructive obligation to help the local community build roads for their use in the project area.

The estimate of future reclamation obligations is subject to change based on amendments to applicable laws, management's intentions, and mineral concession renewals. The present value of the future estimated cash flows at December 31, 2024, is $394,050 (December 31, 2023 – $354,115) which is based on the following key assumptions:

(Expressed in Canadian dollars)

- Undiscounted risk-adjusted cash flows for site reclamation of US$285,869 (December 31, 2023 - US$280,809);
- Expected timing of future cash flows, based on permit requirements, is 2026 (December 31, 2023 – between 2024 and 2033);
- Projected Peruvian inflation of 3.62% (December 31, 2023 – 3.71%); and
- Discount rate of 5.87% based on the 10-year Peruvian government bond yield (December 31, 2023 – 5.07%).

In addition to the Curibaya provision, as at December 31, 2023, the Company had recorded a provision of $280,152 in relation to the orderly closure of the Huilacollo and Hurricane options and returning the concessions to the optionors. During the year ended December 31, 2024, the Company completed these closures and reversed the related provisions (Notes 5(ii) and (iii)).

As a monetary liability, the provision is translated to CAD at the closing exchange rate of 1.4389 CAD = 1.00 US$ on December 31, 2024 (1.3226 on December 31, 2023).

The present value of the site reclamation and closure provisions are as follows:

	December 31, 2024	December 31, 2023
Provision for option termination and closure	**$ -**	$ 280,152
Curibaya provision for site reclamation and closure	**394,050**	354,115
Total provision for site reclamation and closure	**$ 394,050**	$ 634,267
Current balance	**-**	483,983
Non-current balance	**394,050**	150,284

9. Share capital

(a) Authorized

Unlimited common shares without par value.

(b) Common share issuances

For the year ended December 31, 2024:

On April 30, 2024, the Company closed a non-brokered private placement for total gross proceeds of $1,484,504 in which 10,603,600 units were issued at a price of $0.14 per unit (the “April 2024 Placement”). Each unit consisted of one common share of the Company and one common share purchase warrant, exercisable at a price of $0.25 for a term of one year. Share issuance costs, including customary referral fees, amounted to $93,870.

The Company applied the residual value approach to allocate the proceeds received from the unit offering to their respective components (shares and warrants). Using this approach, the Company attributed a residual value of $186,534 to the warrants issued, which was recorded within equity reserves.

In relation to the April 2024 Placement, the Company issued 321,691 finders’ warrants, which were treated as a cost of share issuance, with each finder’s warrant exercisable on the same terms as the unit warrants. The Company used the Black-Scholes option valuation model to determine the fair value of the finders’ warrants, applying an expected volatility of 97.03% and a risk-free interest rate of 4.28% resulting in $7,630 attributed to the finders’ warrants, which was recorded within equity reserves.

During the year ended December 31, 2024, 500,000 common shares were issued pursuant to share purchase options being exercised at an exercise price of $0.10 per share for gross proceeds of $50,000. Consequently, $15,970 attributed to these share options was transferred from equity reserves to share capital.

For the year ended December 31, 2023:

On June 5, 2023, the Company closed a non-brokered private placement (the “June 2023 Placement”) by issuing 10,564,000 units at a price of $0.25 per unit for gross proceeds of $2,641,000. Each unit consisted of a common share and a share purchase warrant, exercisable at $0.35 and with an expiry date of April 21, 2025, which have since expired unexercised. Share issuance costs, including customary referral fees, amounted to $112,966.

The Company applied the residual value approach to allocate the proceeds received from the unit offering to their respective components (shares and warrants). Using this approach, the Company attributed a residual value of $56,220 to the warrants issued, which was recorded within equity reserves.

In relation to the June 2023 Placement, the Company issued 276,840 warrants (“June Finders’ Warrants”) to the agents with a fair value of $26,790, and these were treated as a cost of share issuance. Each June Finders’ Warrant entitles the holder thereof to acquire one common share of the Company at an exercise price of $0.35 until April 21, 2025, which have since expired unexercised. The Company used the Black-Scholes option valuation model to determine the fair value of the June Finders’ Warrants, applying an expected volatility of 86.37% and a risk-free rate of 3.95%.

On December 15, 2023, the Company closed a non-brokered private placement (the “December 2023 Placement”) by issuing a total of 9,851,000 units at a price of $0.10 per unit for gross proceeds of $985,100. Each unit consisted of a common share and a share purchase warrant, exercisable at $0.25 for a two-year period from the date of issuance. Share issue costs for the December 2023 Placement totaled $40,165, including customary referral fees.

The Company applied the residual value approach to allocate the proceeds received from the December 2023 Placement unit offering to their respective components (shares and warrants). Using this approach, the Company attributed a residual value of $74,190 to the warrants issued, which was recorded within equity reserves.

In relation to the December 2023 Placement, the Company issued 198,240 warrants (“December Finders’ Warrants”) to the agents with a fair value of $4,746, and these were treated as a cost of share issuance. Each December Finders’ Warrant entitles the holder thereof to acquire one common share of the Company at an exercise price of $0.25 until two years after the date of issuance. The Company used the Black-Scholes option valuation model to determine the fair value of the December Finders’ Warrants, applying an expected volatility of 90.79% and a risk-free rate of 4.09%.

During the year ended December 31, 2023, there were no share purchase options exercised.

10. Equity reserves

(a) Equity incentive awards

On June 11, 2024, the Company’s Board of Directors approved the adoption of a Long-Term Incentive Plan (“LTI Plan”) which was subsequently approved by shareholders of the Company at the August 7, 2024, Annual General Meeting. The LTI Plan replaces the Company’s previous rolling share option plan and provides for the awarding of share options, performance share units, restricted share units and deferred share units (collectively “equity awards”). The number of shares reserved for issuance under the LTI Plan, together with all other security-based compensation arrangements of the Company, is limited to 10% of the issued and outstanding common shares at the time of grant and sets a maximum term of five years for all awards. Vesting terms of all equity awards are determined at the discretion of the Board. The Company may grant equity awards from time to time to its directors, officers, employees, and other service providers. Only share options have been granted to date.

(Expressed in Canadian dollars)

The following is a continuity of the number of share options issued and outstanding as at December 31, 2024:

	Number of share options	Weighted average exercise price
Outstanding, December 31, 2022	7,195,000	$ 1.01
Granted	3,350,000	0.30
Expired	(165,625)	1.00
Forfeited	(35,625)	0.48
Outstanding, December 31, 2023	10,343,750	$ 0.78
Granted	**1,300,000**	**0.15**
Exercised	**(500,000)**	**0.10**
Expired	**(1,183,750)**	**0.96**
Forfeited	**(65,000)**	**0.30**
Outstanding, December 31, 2024	**9,895,000**	**$ 0.71**

As at December 31, 2024, the number of share options outstanding and exercisable was:

	Outstanding			Exercisable		
Expiry date	Number of options	Exercise price	Remaining contractual life (years)	Number of options	Exercise price	Remaining contractual life (years)
April 8, 2026	5,580,000	$ 1.00	1.27	5,580,000	$ 1.00	1.27
April 29, 2026	200,000	1.00	1.33	200,000	1.00	1.33
June 22, 2026	125,000	1.44	1.47	125,000	1.44	1.47
September 15, 2028	2,895,000	0.30	3.71	2,533,125	0.30	3.71
December 28, 2028	295,000	0.30	3.99	221,250	0.30	3.99
January 23, 2029	500,000	0.10	4.07	250,000	0.10	4.07
July 2, 2029	300,000	0.30	4.50	112,500	0.30	4.50
	9,895,000	**$ 0.71**	**2.31**	**9,021,875**	**$ 0.76**	**2.14**

The Company uses the Black-Scholes option valuation model to determine the fair value for all share-based payments to directors, officers, employees, and other service providers. During the year ended December 31, 2024, the Company granted 1,300,000 share options to marketing service providers (3,350,000 options granted to directors, officers, employees and other service providers for the year ended December 31, 2023). The weighted average fair value per option of the share options granted during year ended December 31, 2024, was calculated as $0.05 (year ended December 31, 2023 - $0.09), using the Black-Scholes option valuation model at the grant date with the following weighted average assumptions:

	Year ended December 31	
	2024	2023
Risk-free interest rate	**3.95%**	4.02%
Expected dividend yield	**Nil**	Nil
Share price volatility	**89.04%**	86.61%
Expected forfeiture rate	**1.58%**	7.93%
Expected life in years	**1.92**	4.71

(Expressed in Canadian dollars)

During the year ended December 31, 2024, and 2023, the Company recognized share-based payments expense net of forfeiture recovery as follows:

	Years ended December 31, 2024	2023
Exploration and evaluation	**$ 15,845**	$ 41,870
Fees, salaries, and other employee benefits	**85,909**	192,623
Marketing and investor relations	**52,613**	6,029
Project investigation	**10,479**	13,718
	$ 164,846	$ 254,240

(b) Share purchase warrants

The continuity of the share purchase warrants issued and outstanding is as follows:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2022	13,736,026	$ 0.75
Issued	20,890,080	0.30
Outstanding, December 31, 2023	34,626,106	$ 0.48
Issued	**10,925,291**	**0.25**
Outstanding, December 31, 2024	**45,551,397**	**$ 0.42**

A summary of the Company's warrants issued and outstanding as at December 31, 2024, is as follows:

Expiry date	Warrants outstanding	Exercise price
April 21, 2025*	10,840,840	$ 0.35
April 24, 2025	5,530,619	0.25
April 30, 2025	5,394,672	0.25
May 31, 2025	13,736,026	0.75
December 8, 2025	5,092,240	0.25
December 15, 2025	4,957,000	0.25
	45,551,397	**$ 0.42**

*Warrants expired subsequent to year end.

11. Related party transactions

Related party transactions are those with entities over which the Company has control or significant influence, and with key management personnel, being those having the authority and responsibility for planning, directing, and controlling the Company. A summary of the Company's related party transactions for the year ended December 31, 2024, and 2023, is as follows:

(Expressed in Canadian dollars)

(a) UMS Canada and UMS Peru

All transactions have occurred in the normal course of operations. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

		Years ended December 31, 2024		2023
Exploration and evaluation	**$**	**17,593**	$	504,113
General and administration		**454,473**		944,450
Marketing and investor relations		**-**		46,692
Project investigation		**1,642**		78,700
Total transactions for the year	**$**	**473,708**	$	1,573,955

As at December 31, 2024, $157,109 (December 31, 2023 - $86,215) was included in accounts payable and accrued liabilities and $65,237 (December 31, 2023 - $60,486) in prepaid expenses, deposits and other relating to transactions with UMS Canada. Including the initial deposit of $150,000 advanced to UMS Canada for working capital purposes, the Company had a net deposit balance of $58,128 with UMS Canada as at December 31, 2024.

As at December 31, 2024, the Company had a working capital deposit with UMS Peru in the amount of $62,426 (US$47,200, unchanged from December 31, 2023). The amount was written down to $nil as at December 31, 2023, as it was not expected to be recovered. However, as at December 31, 2024, the Company reinstated $35,973 (US$25,000) based on the funds available in UMS Peru after the wind-up process had been substantially completed, and subsequent to year end, these funds were repaid to the Company.

(b) Key management compensation

In addition to the transactions disclosed above, the Company provided or accrued the following compensation to key management members, being its three executives, of which one is a Board Director, and five (six until August 7, 2024) non-executive independent directors:

		Years ended December 31, 2024		2023
Salary and benefits provided to executives	**$**	**593,510**	$	783,029
Non-executive directors' fees		**177,683**		185,154
Share-based payments		**88,479**		172,329
Total for the year	**$**	**859,672**	$	1,140,512

The Company's Chief Financial Officer provides services, on a less than full-time basis, under a secondment employment arrangement between the Company and UMS Canada. As at December 31, 2024, the Company had an accounts payable balance with all key management personnel of $242,752 ($122,058 as at December 31, 2023).

The Company grants options to certain UMS employees, including key management personnel of the Company. The Company recognized share-based payments of $29,554 for the year ended December 31, 2024, in respect of share options granted to UMS employees ($96,467 for the year ended December 31, 2023).

(Expressed in Canadian dollars)

12. Income taxes

a) Income tax recovery provision

The reconciliation of the income tax recovery computed at statutory rates to the reported income tax recovery is:

		December 31, 2024		December 31, 2023
Loss before income taxes	$	(3,684,190)	$	(5,479,356)
Effective income tax rates		27%		27%
Expected income tax recovery		(994,731)		(1,479,426)
Increase (decrease) in income tax recovery resulting from:				
Change in prior year estimates		(78,678)		269,398
Difference in Peruvian income tax rates		(44,906)		(60,821)
Foreign exchange		(1,021,454)		180,905
Non-deductible items and other		776,914		24,893
Change in non-recognized deferred tax assets		1,362,855		1,065,051
Income tax recovery	$	-	$	-

The difference in statutory rate is due to using the Peruvian income tax rate in the comparative year, and the Canadian income tax rate in the current year.

b) Significant components of the deferred tax assets and liabilities are:

		December 31, 2024		December 31, 2023
Non-capital losses carried forward	$	7,148,162	$	6,941,023
Share issuance costs		82,095		97,532
Property and equipment		144,473		6,807
Mineral property interests		3,715,300		2,791,815
Provision for site reclamation and closure		116,245		76,449
Peruvian VAT receivable		974,048		903,842
		12,180,323		10,817,468
Unrecognized deferred tax assets		(12,180,323)		(10,817,468)
Net deferred tax balance	$	-	$	-

c) Tax losses

As at December 31, 2024, the Company has Canadian non-capital losses of approximately $10,788,766 (December 31, 2023 - $9,207,017) which may be carried forward to reduce certain qualifying taxable income of future years, of which, if unused, expire 2040 through 2044.

As at December 31, 2024, the Company indirectly has Peruvian non-capital losses of approximately $14,356,595 (December 31, 2023 – $15,102,131), which may be carried forward to reduce certain qualifying taxable income of future years, of which, if unused, expire 2025 through 2028.

(Expressed in Canadian dollars)

13. Supplemental cash flow information

		December 31, 2024		December 31, 2023
Changes in liabilities arising from financing activities:				
Private placement share issuance costs	**$**	**(12,968)**	$	12,968
Other cash flow disclosures				
Income taxes paid	**$**	**-**	$	-
Interest paid	**$**	**-**	$	-

14. Financial instruments

The Company's financial instruments consist of cash, amounts receivable, deposits, accounts payable and accrued liabilities. The fair values of the current financial instruments approximate their carrying values, unless otherwise noted.

The following summarizes the fair value hierarchy under which the Company's financial instruments are valued:

Level 1 – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and

Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

As at December 31, 2024, and December 31, 2023, there were no financial instruments measured at fair value.

The Company's financial instruments are exposed to liquidity risk, credit risk and market risk, which includes currency risk. As at December 31, 2024, the primary risks were as follows:

(a) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. As the Company's operations do not generate cash, financial liabilities are discharged using funding through the issuance of common shares or debt as required. As at December 31, 2024, the Company did not have sufficient cash on hand to discharge its financial liabilities as they become due and will require additional funding to continue operations for the ensuing year.

As at December 31, 2024, the Company had current liabilities, due to be paid within 12 months, consisting of accounts payable and accrued liabilities totaling $955,829 which include 2024 Curibaya government concession fees and 2023 penalty fees, due by June 30, 2025, totaling $193,540. Penalties are legislated fees payable to the government, in the event that the Company does not expend the government mandated minimum investment amount on exploration properties. In the case that adequate amounts are expended on the exploration properties and the minimum investment is met, penalty fees are eliminated. In each of 2023 and 2024; the Company did not meet the minimum investment expenditures in three of its concessions and therefore, penalties have been accrued in relation to those concessions in those years.

The Company has non-current accrued liabilities related to 2024 concession penalty fees associated with its Curibaya project totaling $106,143 which are due by June 30, 2026. In addition, the Company has a non-current reclamation and closure provision of $394,050 .

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet an obligation under contract. Credit risk exposure arises with respect to the Company's cash, amounts receivable and deposit. The risk exposure is limited because the Company's cash is held with highly rated financial institutions in interest-bearing accounts, the amounts receivable consist of sales taxes receivable from the Government of Canada and Peru, and the deposit is held by UMS Canada and UMS Peru, the latter which has been written down to its estimated recoverable value.

(c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Canadian parent company is exposed to U.S. dollar ("US$") foreign currency risk with the Canadian dollar ("C$") functional currency, and the Peruvian subsidiary is exposed to Peruvian soles ("PEN") foreign currency risk with the US$ functional currency. As at December 31, 2024, the Company's foreign currency exposure related to its financial assets and liabilities held in US$ and PEN is as follows:

		December 31, 2024		December 31, 2023
PEN expressed in C$				
Period end exchange rate C$ per PEN		**0.3823**		0.3569
Financial assets	**$**	**23,847**	**$**	39,570
Financial liabilities		**(316,005)**		(295,302)
Net exposure	**$**	**(292,158)**	**$**	(255,732)

		December 31, 2024		December 31, 2023
US$ expressed in C$				
Period end exchange rate C$ per US$		**1.4389**		1.3226
Financial assets	**$**	**3,812**	**$**	511
Financial liabilities		**(11,342)**		-
Net exposure	**$**	**(7,530)**	**$**	511

A 10% increase or decrease in either the US dollar or Peruvian sol exchange rate would not have a material impact on the Company's net loss.

15. Segmented information

The Company operates in one reportable segment, being the exploration and evaluation of unproven exploration and evaluation assets. The Company's non-current assets primarily consist of its mineral property interests which are located in Peru, and the balance relates to its equity investment located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results. All corporate expenses are incurred in Canada.

16. Management of capital

The Company considers capital to include items within shareholders' equity. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and evaluation of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or issue debt instruments. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

The mineral resource properties in which the Company currently has an interest are in the exploration stage and are not positive cash-flow generating; as such, the Company has historically relied on the equity markets to fund its activities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any capital restrictions and the Company's approach to capital management has not changed from the prior year.

17. Subsequent event

On January 3, 2025, the Company closed a non-brokered private placement by issuing 5,183,333 units at $0.075 per unit for gross proceeds to the Company of $388,750 of which $163,584 (net of costs) was received in advance and was recorded on the statement of financial position within equity as shares to be issued as at December 31, 2024. Each unit consists of one common share and one full common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.15 at any time on or before January 3, 2028. In connection with the closing of the offering, the Company paid cash finders' fees of $12,825 and issued 171,000 non-transferable finders' warrants, with each finder's warrant exercisable on the same terms as the unit warrants as aforementioned.