(An exploration stage business)

TIER ONE SILVER INC.

Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023

(Unaudited)

Tier One Silver Inc.

Condensed Consolidated Interim Statements of Financial Position
Unaudited (Expressed in Canadian dollars)

		As at June 30, 2023		As at December 31, 2022
Assets				
Current assets:				
Cash	$	**1,248,293**	$	1,553,349
Amounts receivable		**26,485**		18,100
Prepaid expenses, deposits and other (Note 3)		**751,901**		736,876
		2,026,679		2,308,325
Non-current assets:				
Prepaid expenses, deposits and other (Note 3)		**10,098**		30,988
Equity investments (Note 5)		**119,205**		130,966
Equipment		**42,790**		49,045
Mineral property interests (Note 4)		**2,612,093**		2,712,593
Total assets	$	**4,810,865**	$	5,231,917
Liabilities and Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	**387,603**	$	539,806
Provision for site reclamation and closure		**362,927**		268,847
		750,530		808,653
Non-current liabilities:				
Provision for site reclamation and closure		**150,647**		265,888
Total liabilities	$	**901,177**	$	1,074,541
Equity:				
Share capital (Note 6)	$	**29,447,218**	$	27,001,612
Share option and warrant reserves (Note 7)		**4,311,152**		4,141,198
Accumulated other comprehensive loss		**(144,327)**		(117,643)
Deficit		**(29,704,355)**		(26,867,791)
Total equity		**3,909,688**		4,157,376
Total liabilities and equity	$	**4,810,865**	$	5,231,917

Going concern (Note 1(c)); Commitment (Note 5)

Approved on behalf of the Board of Directors:

“Peter Dembicki”
President, CEO & Director

“Steve Cook”
Director

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

Tier One Silver Inc.

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Operating expenses:				
Exploration and evaluation	**$ 470,682**	$ 641,466	**$ 1,003,444**	$ 1,452,998
Fees, salaries and other employee benefits	**299,501**	569,053	**674,845**	1,232,433
Legal and professional	**49,580**	164,536	**164,316**	222,442
Marketing and investor relations	**306,657**	204,166	**612,518**	616,711
Office and administration	**99,076**	135,978	**201,710**	235,422
Project investigation	**35,073**	14,488	**43,251**	26,239
Regulatory and transfer agent	**29,404**	42,659	**65,284**	59,042
Mineral property impairment (Note 4)	**62,104**	102,352	**62,104**	102,352
	1,352,077	1,874,698	**2,827,472**	3,947,639
Other expenses (income):				
Accretion of provision for site reclamation and closure	**2,617**	-	**6,109**	-
Foreign exchange loss (gain), net	**8,970**	(18,455)	**17,188**	(11,841)
Interest income	**(11,271)**	-	**(25,966)**	-
Net loss from equity investments (Note 5)	**11,735**	35,712	**11,761**	35,712
Loss for the period	**$ 1,364,128**	$ 1,891,955	**$ 2,836,564**	$ 3,971,510
Other comprehensive loss:				
Unrealized currency loss (gain) on translation	**25,754**	(32,165)	**26,684**	(12,902)
Comprehensive loss for the period	**$ 1,389,882**	$ 1,859,790	**$ 2,863,248**	$ 3,958,608
Basic and diluted loss per share	**$ 0.01**	$ 0.01	**$ 0.02**	$ 0.03
Basic and diluted weighted-average number of shares outstanding	**145,213,230**	129,258,662	**142,387,774**	127,517,210

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

Tier One Silver Inc.

Condensed Consolidated Interim Statements of Changes in Equity
Unaudited (Expressed in Canadian dollars, except share amounts)

	Number of common shares	Share Capital	Share option and warrant reserves	Accumulated other comprehensive loss	Deficit	Total
Balance at December 31, 2021	125,794,897	$ 21,103,601	$ 3,020,459	$ (193,647)	$ (19,128,405)	$ 4,802,008
Share-based payments	-	-	631,859	-	-	631,859
Units issued pursuant to offering, net of share issue costs	13,736,026	5,926,773	106,004	-	-	6,032,777
Other comprehensive income	-	-	-	12,902	-	12,902
Loss for the period	-	-	-	-	(3,971,510)	(3,971,510)
Balance at June 30, 2022	139,530,923	$ 27,030,374	$ 3,758,322	$ (180,745)	$ (23,099,915)	$ 7,508,036
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 (Note 7)	**-**	**-**	**86,944**	**-**	**-**	**86,944**
Units issued pursuant to offering, net of share issue costs (Note 6)	**10,564,000**	**2,472,396**	**56,220**	**-**	**-**	**2,528,616**
Warrants issued for finders' fees	**-**	**(26,790)**	**26,790**	**-**	**-**	**-**
Other comprehensive loss	**-**	**-**	**-**	**(26,684)**	**-**	**(26,684)**
Loss for the period	**-**	**-**	**-**	**-**	**(2,836,564)**	**(2,836,564)**
Balance at June 30, 2023	**150,094,923**	**$ 29,447,218**	**$ 4,311,152**	**$ (144,327)**	**$ (29,704,355)**	**$ 3,909,688**

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

Tier One Silver Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Operating activities:				
Loss for the period	**$ (1,364,128)**	$ (1,891,955)	**$ (2,836,564)**	$ (3,971,510)
Adjusted for:				
Interest income	**(11,271)**	-	**(25,966)**	-
Non-cash transactions:				
Impairment of mineral properties	**62,104**	102,352	**62,104**	102,352
Share-based payments	**15,801**	329,428	**86,944**	631,859
Depreciation	**2,615**	2,486	**5,248**	6,512
Accretion of provision for site reclamation and closure	**2,617**	-	**6,109**	-
Net unrealized foreign exchange loss (gain)	**11,861**	3,122	**12,054**	(12,462)
Net loss from equity investments	**11,735**	35,712	**11,761**	35,712
Changes in non-cash working capital:				
Amounts receivable	**(13,042)**	(2,353)	**(8,385)**	(23,709)
Prepaid expenses, deposits and other	**(149,750)**	(264,997)	**1,558**	(191,204)
Accounts payable and accrued liabilities	**(460,177)**	(243,687)	**(164,263)**	(99,860)
Cash used in operating activities	**(1,891,635)**	(1,929,892)	**(2,849,400)**	(3,522,310)
Investing activities:				
Mineral property additions	**(1,671)**	(26,703)	**(1,671)**	(27,297)
Equity investment	**-**	(1,000)	**-**	(1,000)
Interest income received	**11,271**	-	**25,966**	-
Cash provided by (used in) investing activities	**9,600**	(27,703)	**24,295**	(28,297)
Financing activities:				
Proceeds from issuance of units, net of share issue costs	**2,528,616**	6,032,777	2,528,616	6,032,777
Cash provided by financing activities	**2,528,616**	6,032,777	**2,528,616**	6,032,777
Effect of foreign exchange rate changes on cash	**(8,403)**	13,339	**(8,567)**	10,738
Change in cash	**638,178**	4,088,521	**(305,056)**	2,492,908
Cash, beginning of the period	**610,115**	994,245	**1,553,349**	2,589,858
Cash, end of the period	**$ 1,248,293**	$ 5,082,766	**$ 1,248,293**	$ 5,082,766

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

1. Business Overview

(a) Corporate information

Tier One Silver Inc. (the "Company" or "Tier One") was 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 on the OTCQB Venture Market under the US symbol TSLVF. Tier One's head office and principal address is located at 1177 West Hastings Street, Suite 1630, Vancouver, British Columbia, Canada, V6E 2K3.

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

(b) Nature of operations

The Company's primary assets are 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, and the Hurricane project in southern Peru which the Company has the option to acquire.

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 Peru.

As a normal part of the exploration process, Tier One seeks to establish access and use agreements with local communities surrounding its projects. The process of securing such agreements requires achieving local community consensus and can be challenging; however, positive dialogue continues with the communities and management believes that agreements will continue to be maintained in good standing for a reasonable cost, although there can be no certainty about the financial or other requirements to keep extending them. The Company has access rights through community agreements to complete work at both the Curibaya and Hurricane projects.

(c) Going concern

As at June 30, 2023, the Company had net working capital of $1,276,149 (December 31, 2022 - $1,499,672) and incurred a loss of $2,836,564 for the six months then ended ($3,971,510 for six months ended June 30, 2022). 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, and during the six months ended June 30, 2023, closed a non-brokered private placement for gross proceeds of $2.6 million (the "2023 Private Placement" see Note 6), the ability to continue as a going concern remains dependent upon its continued ability to obtain the financing necessary to fund its mineral properties, 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 condensed consolidated interim 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 International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies followed in these financial statements are the same as those applied in the Company's annual audited consolidated financial statements for the year ended December 31, 2022.

These financial statements were approved and authorized for issuance on August 24, 2023, 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 June 30, 2023 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 5).

(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$.

(e) Significant accounting judgments and estimates

The preparation of the 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 condensed consolidated interim 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. The Company's significant accounting judgments and estimates were presented in Note 3 of the annual audited consolidated financial statements for the year ended December 31, 2022, and have been consistently applied in the preparation of these financial statements. No new estimates and judgments were applied for the period ended June 30, 2023.

Unaudited (Expressed in Canadian dollars)

(f) Application of new and revised accounting standards

On May 7, 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments narrow the scope of the initial recognition exemption ("IRE") so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The adoption of the new standard, effective January 1, 2023, did not impact the financial statements of the Company.

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments, which became effective January 1, 2023, help to distinguish changes in accounting policies from changes in accounting estimates. The adoption of the new standard did not impact the financial statements of the Company.

On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies and help companies provide useful accounting policy disclosures. The adoption of the new standard, effective January 1, 2023, did not impact the financial statements of the Company.

(g) Standards issued but not yet effective

Certain new accounting standards and interpretations have been issued but are not yet effective and they have not been early adopted. The Company is currently assessing the new and amended standards, which are not expected to have a material impact on the Company's consolidated financial statements.

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3. Prepaid expenses, deposits and other

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

		June 30, 2023		December 31, 2022
Community and surface agreements	**$**	**138,920**	$	106,719
Exploration and evaluation		**50,307**		24,182
General, administration and marketing		**340,279**		416,963
UMS Canada and UMS Peru		**232,493**		220,000
Total prepaid expenses, deposits and other	**$**	**761,999**	$	767,864
Current portion		**751,901**		736,876
Non-current portion	**$**	**10,098**	$	30,988

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. As of June 30, 2023, the Company has surface rights agreements with the local communities at the Curibaya, Hurricane and Corisur projects which are in place until May 2024 (Curibaya), December 2023 (San Cipriano and Ñañohuayco target areas - Hurricane) and September 2024 (Corisur).

In accordance with the respective service agreements, the Company makes short-term advances to UMS Canada and UMS Peru in relation to geological and administrative services provided thereunder.

Unaudited (Expressed in Canadian dollars)

4. 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, 2021	$ 1,322,051	$ 235,616	$ 988,764	$ 2,546,431
Mineral property additions	213	129,128	797	130,138
Mineral property impairments	-	-	(102,352)	(102,352)
Recognition of provision for site reclamation and closure	21,524	-	-	21,524
Currency translation adjustment	54,902	3,939	58,011	116,852
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 impairment	-	-	(62,104)	(62,104)
Recognition of provision for site reclamation and closure	2,101	-	-	2,101
Currency translation adjustment	(19,833)	(1,343)	(20,992)	(42,168)
Balance as at June 30, 2023	**$ 1,382,629**	**$ 367,340**	**$ 862,124**	**$ 2,612,093**

The Company's 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 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 three and six months ended June 30, 2023, the Company incurred $398,174 and $785,590, respectively, of exploration and evaluation expenses on Curibaya ($576,822 and $1,204,016 for the three and six months ended June 30, 2022, respectively).

ii) Hurricane

On April 28, 2021, the Company entered into a share purchase option agreement (the "Pembrook Option") with Pembrook Copper Corp. ("Pembrook") to acquire Pembrook's Peruvian subsidiary, Compañia Minera Tororume S.A.C. ("Tororume") which owns the Hurricane project located approximately 66 km north of the city of Cusco in southeastern Peru. In addition to the 25,640 ha acquired under the Pembrook Option, the Company staked additional concessions expanding the Hurricane project area to approximately 32,000 ha.

Under the terms of the Pembrook Option, Tier One has the option to acquire 90% or 100% of the shares of Tororume by making certain payments to Pembrook and by incurring certain amounts of exploration work on the project within the five-year period measured from a defined Access Date. The Access Date was to be the earlier of October 31, 2022, or the date by which the Company secured the necessary surface rights and governmental permits to commence diamond drilling. The Access Date was later extended to October 31, 2023 (unless the drill permit is obtained first) by paying Pembrook US$75,000 as a non-refundable advance of the first annual option payment that will be due on the 1st anniversary date of the Access Date should the Company continue with the option. If the Company is unable to obtain its drill permit by October 31, 2023, the Company has the ability to either terminate the option or commit to incur the first year of work expenditures in the table below (or pay them to Pembrook in lieu).

The following table outlines the required option payments, which the Company can choose to make in cash or Tier One shares subject to any required stock exchange approvals, and the work expenditures required over the five year option period (starting from the Access Date).

Due Dates	Status	Option Payments (in US$'000)	Work Expenditure (in US$'000)
By April 28, 2021	Completed	$ 84	$ -
1st Anniversary of Access Date	Partially complete(1)	250	750
2nd Anniversary of Access Date		350	1,000
3rd Anniversary of Access Date		500	2,000
4th Anniversary of Access Date		1,000	3,000
5th Anniversary of Access Date		2,500	4,000
Total to acquire 90%		**$ 4,684**	**$ 10,750**
Payment to acquire final 10%		10,000	-
Total to acquire 100%		**$ 14,684**	**$ 10,750**

(1) US$75,000 of the option payment has been advanced and approximately US$710,985 of eligible work expenditures have been incurred in relation to the 1st anniversary requirements.

Under the Pembrook Option the Company assumes the obligation to carry all expenses until production and all exploration requirements cease once the option is exercised, which can be done at any time at Tier One's election.

The Company incurred $111,964 and $225,825 of exploration and evaluation expenses on the Hurricane project during the three and six months ended June 30, 2023, respectively ($177,221 and $284,837 during the three and six months ended June 30, 2022, respectively).

iii) Other

Corisur Claims

The Corisur claims, covering 1,300 ha, consist of the Tacora, Tacora Sur and Andamarca concessions which are located in the border zone, and as a result unconditional ownership can only be achieved in the future by obtaining a Supreme Decree. No assurance can be given with respect to the timing or certainty of receipt of a Supreme Decree.

A provision of $158,880 (US$120,000) for final costs relating to the termination of the Huilacollo option agreement remains on the condensed consolidated interim statement of financial position as at June 30, 2023 ($180,135 as at December 31, 2022) and is presented within the current portion of the provision for site reclamation and closure costs.

Coastal Batholith

During the six months ended June 30, 2023, the Company made the decision to abandon the wholly-owned Coastal Batholith project which covered approximately 15,000 ha on the coast of Peru. As a result, the Company wrote off all previously capitalized costs related to the project and recognized an impairment charge of $62,104 for the three and six months ended June 30, 2023.

Exploration and Evaluation Costs

On its properties that are grouped as other, namely the Coastal Batholith and Corisur claims, the Company recorded a net exploration and evaluation cost recovery of $39,456 and $7,971 during the three and six months ended June 30, 2023, respectively ($112,577 and $35,855 net exploration and evaluation cost recovery during the three and six months ended June 30, 2022, respectively). In both the 2022 and 2023 periods, the cost recovery resulted from the reversal of the prior year's validity fees that were accrued in relation to the claims that were relinquished in the respective period.

Unaudited (Expressed in Canadian dollars)

5. Equity investments

Investment in Associate - UMS Canada

UMS Canada is located in Vancouver, BC, and provides head office premises, administrative, geological, accounting and other advisory services to the Company and three other 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 a total term of ten years, for which certain rent expenses will be payable by the Company. As at June 30, 2023, the Company expects to incur approximately $0.8 million in respect of future lease rent for the remaining 8 years.

Investment in Joint Venture - UMS Peru

UMS Peru is a company incorporated under Peruvian law, which provides administrative and geological services to Sombrero Minerales S.A.C. and the Peruvian subsidiaries of the 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.

Summarized financial information of UMS Canada and UMS Peru

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

For the three months ended June 30, 2023		**UMS Canada**		**UMS Peru**
Cost recoveries	$	(1,664,628)	$	(325,786)
Geological services		675,482		218,051
Administrative services		1,022,414		114,571
Net loss for the period		33,268		6,836
Company's share of net loss	**$**	**8,317**	**$**	**3,418**

For the six months ended June 30, 2023		**UMS Canada**		**UMS Peru**
Cost recoveries	$	(3,220,332)	$	(654,132)
Geological services		1,166,899		422,136
Administrative services		2,124,274		220,098
Net loss (income) for the period		70,841		(11,898)
Company's share of net loss (income)	**$**	**17,710**	**$**	**(5,949)**

The carrying amounts of the Company's investments in UMS Canada and UMS Peru as at June 30, 2023, were as follows:

		UMS Canada		**UMS Peru**		**Total**
Acquisition of equity investment	$	151,000	$	168	$	151,168
Company's share of net (loss) income		(23,976)		3,774		(20,202)
Carrying amount as at December 31, 2022	$	127,024	$	3,942	$	130,966
Company's share of net (loss) income for the period		(17,710)		5,949		(11,761)
Carrying amount as at June 30, 2023	**$**	**109,314**	**$**	**9,891**	**$**	**119,205**

Unaudited (Expressed in Canadian dollars)

The Company's equity interest in net assets and liabilities of UMS Canada and UMS Peru as at June 30, 2023, were as follows:

		UMS Canada		UMS Peru
Current assets	$	782,142	$	178,152
Non-current assets		2,609,413		147,176
Current liabilities		(1,545,690)		(305,546)
Non-current liabilities		(1,408,608)		-
Net assets - 100%		437,257		19,782
Company's equity interest in net assets	**$**	**109,314**	**$**	**9,891**

6. Share capital

(a) Authorized

Unlimited common shares without par value.

(b) Common share issuances

On June 5, 2023, the Company closed the 2023 Private 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. Share issuance costs, including customary referral fees, amounted to $112,384.

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 is recorded within the warrant reserve.

In relation to the private placement, the Company issued 276,840 warrants ("Finders' Warrants") to the agents with a fair value of $26,790, and these were treated as a cost of share issuance. Each Finders' Warrant will entitle the holder thereof to acquire one common share of the Company at an exercise price of $0.35 until April 21, 2025. The Company used the Black-Scholes option valuation model to determine the fair value of the Finders Warrants, applying an expected volatility of 86.37% and a risk-free rate of 3.95%.

A reconciliation of the impact of the 2023 Private Placement on share capital is as follows:

	Number of common shares		Impact on share capital
Units issued at $0.25 per unit	**10,564,000**	**$**	**2,641,000**
Cash share issuance costs			(112,384)
Net proceeds			2,528,616
Finders' warrant value			(26,790)
Residual value of warrants			(56,220)
Impact on share capital	**10,564,000**	**$**	**2,445,606**

On June 16, 2022, the Company closed a private placement for gross proceeds of $6,181,212 by issuing 13,736,026 units at a price of $0.45 per unit (the "2022 Private Placement"). Each unit consisted of a common share and a share purchase warrant, exercisable at $0.75 and with an expiry date of May 31, 2025. Share issuance costs including customary referral fees amounted to $177,197.

Unaudited (Expressed in Canadian dollars)

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 $106,004 to the warrants issued, which is recorded within the warrant reserve.

A reconciliation of the impact of the 2022 Private Placement on share capital is as follows:

	Number of common shares	Impact on share capital
Units issued at $0.45 per unit	**13,736,026**	**$ 6,181,212**
Cash share issuance costs		(188,197)
Net proceeds		6,004,015
Residual value of warrants		(106,004)
Impact on share capital	**13,736,026**	**$ 5,898,011**

7. Share option and warrant reserves

(a) Shared options

The Company maintains a rolling share option plan providing for the issuance of share options up to 10% of the Company's issued and outstanding common shares at the time of the grant. The Company may grant share options from time to time to its directors, officers, employees and other service providers. The share options typically vest as to 12½% every three months after the grant date, for a total vesting period of 24 months.

The continuity of the number of share options issued and outstanding is as follows:

	Number of share options	Weighted average exercise price
Outstanding, December 31, 2021	7,970,000	$ 1.01
Expired	(278,125)	1.04
Forfeited	(496,875)	1.07
Outstanding, December 31, 2022	7,195,000	$ 1.01
Expired	(65,625)	1.00
Forfeited	(9,375)	1.00
Outstanding, June 30, 2023	**7,120,000**	**$ 1.01**

As at June 30, 2023, the number of share options outstanding and exercisable was:

	Outstanding and Exercisable		
Expiry date	**Number of options**	**Exercise price**	**Remaining contractual life (years)**
April 8, 2026	6,795,000	$ 1.00	2.78
April 29, 2026	200,000	1.00	2.83
June 22, 2026	125,000	1.44	2.98
	7,120,000	**$ 1.01**	**2.78**

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. There were no share options granted during the three and six months ended June 30, 2023 (nil for the three and six months ended June 30, 2022).

Unaudited (Expressed in Canadian dollars)

During the three and six months ended June 30, 2023, and 2022, the Company recognized share-based payments expense net of forfeiture recovery as follows.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Exploration and evaluation	**$ 2,003**	$ 68,671	**$ 17,417**	$ 23,403
Fees, salaries and other employee benefits	**13,272**	238,115	**64,491**	562,751
Marketing and investor relations	**298**	17,499	**3,946**	35,320
Project investigation	**228**	5,143	**1,090**	10,385
	$ 15,801	$ 329,428	**$ 86,944**	$ 631,859

(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, 2021	-	-
Issued	13,736,026	$0.75
Outstanding, December 31, 2022	13,736,026	0.75
Issued	10,840,840	0.35
Outstanding, June 30, 2023	**24,576,866**	**0.57**

A summary of the Company's warrants issued and outstanding as at June 30, 2023, is as follows:

Expiry date	**Warrants outstanding**	**Exercise price**
May 31, 2025	13,736,026	$ 0.75
April 21, 2025	10,840,840	0.35
	24,576,866	**$ 0.57**

8. Related party transactions

Related party transactions are those with entities over which the Company has control or significant influence, or 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 three and six months ended June 30, 2023, and 2022, is as follows:

Unaudited (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.

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Exploration and evaluation	**$ 194,626**	$ 238,356	**$ 348,779**	$ 530,757
General and administration	**292,302**	344,447	**572,804**	574,646
Marketing and investor relations	**12,727**	24,535	**34,399**	24,918
Project investigation	**23,427**	8,008	**29,766**	13,551
Total transactions for the period	**$ 523,082**	$ 615,346	**$ 985,748**	$ 1,143,872

As at June 30, 2023, $70,841 (December 31, 2022 - $58,068) was included in accounts payable and accrued liabilities and $170,000 (December 31, 2022 - $220,000) in prepaid expenses, deposits and other relating to transactions with UMS Canada.

As at June 30, 2023, $1,768 (December 31, 2022 - $nil) was included in accounts payable and accrued liabilities and $62,493 (December 31, 2022 - $nil) was included in prepaid expenses, deposits and other relating to transactions with UMS Peru.

(b) Key management compensation

In addition to the transactions disclosed above, the Company provided the following compensation to key management members, being its three executives, of which one is a Board Director, and six non-executive directors:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Salary and benefits provided to executives	**$ 172,341**	$ 177,224	**$ 313,955**	$ 399,479
Fees paid to non-executive directors	**50,277**	63,466	**85,118**	122,409
Share-based payments	**2,990**	215,384	**40,924**	402,263
	$ 225,608	$ 456,074	**$ 439,997**	$ 924,151

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.

The Company issues options to certain UMS employees, including key management personnel of the Company. The Company recognized share-based payments of $3,529 and $28,619 for the three and six months ended June 30, 2023, respectively, in respect of share options issued to UMS employees ($192,812 and $141,164 for the three and six months ended June 30, 2022).

9. Financial instruments

The Company's financial instruments consist of cash, amounts receivable, deposits, accounts payable and accrued liabilities. The fair values of these 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 June 30, 2023 and December 31, 2022 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 June 30, 2023, 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 June 30, 2023, the Company had sufficient cash on hand to discharge its financial liabilities as they become due but will require additional funding to continue operations for the upcoming year.

(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 and amounts receivable. The risk exposure is limited because the Company's cash is held with highly rated financial institutions in interest-bearing accounts and the amounts receivable primarily consist of GST receivable from the Government of Canada.

(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. A summary of the Company's financial instruments that are denominated in US dollars or Peruvian Soles is as follows:

The currency risk exposure for financial instruments denominated in foreign currencies is as follows:

		June 30, 2023		December 31, 2022
Period end exchange rate $ per Peruvian sol		**0.3653**		0.3557
Financial assets	**$**	**6,793**	**$**	8,293
Financial liabilities		**(109,964)**		(109,500)
Net exposure	**$**	**(103,171)**	**$**	(101,207)

Unaudited (Expressed in Canadian dollars)

		June 30, 2023		December 31, 2022
Period end exchange rate $ per US$		**1.3240**		1.3544
Financial assets	**$**	**277,573**	**$**	801
Financial liabilities		**(1,109)**		-
Net exposure	**$**	**276,464**	**$**	801

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.

10. Segmented information

The Company operates in one reportable segment, the exploration and evaluation of unproven exploration and evaluation assets. The Company's primary exploration and evaluation assets are located in Peru, and its corporate assets, comprising mainly cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results.

11. 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 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.