(An exploration stage business)

TIER ONE SILVER INC.

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

Deloitte.

Independent Auditor's Report

To the Shareholders and the Board of Directors of
Tier One Silver Inc.

Opinion

We have audited the consolidated financial statements of Tier One Silver Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, change in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company had no revenue and incurred a net loss $ 5,479,356 during the year ended December 31, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. This matter was 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 this matter.

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

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 financial statements, including the disclosures, and whether the 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 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 period 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 Jayana Darras.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
April 9, 2024

Tier One Silver Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		As at December 31, 2023		As at December 31, 2022
Assets				
Current assets:				
Cash	$	**825,589**	$	1,553,349
Amounts receivable		**48,535**		18,100
Prepaid expenses, deposits and other (Note 4)		**393,021**		736,876
		1,267,145		2,308,325
Non-current assets:				
Prepaid expenses, deposits and other (Note 4)		**-**		30,988
Equity investments (Note 7)		**121,991**		130,966
Equipment		**37,595**		49,045
Mineral property interests (Note 5)		**2,237,373**		2,712,593
Total assets	$	**3,664,104**	$	5,231,917
Liabilities and Equity				
Current liabilities:				
Accounts payable and accrued liabilities (Note 6)	$	**546,311**	$	539,806
Provision for site reclamation and closure (Note 8)		**483,983**		268,847
		1,030,294		808,653
Non-current liabilities:				
Accrued liabilities (Note 6)		**98,741**		-
Provision for site reclamation and closure (Note 8)		**150,284**		265,888
Total liabilities	$	**1,279,319**	$	1,074,541
Equity:				
Share capital (Note 9)	$	**30,312,635**	$	27,001,612
Share option and warrant reserves (Note 10)		**4,557,384**		4,141,198
Accumulated other comprehensive loss		**(138,087)**		(117,643)
Deficit		**(32,347,147)**		(26,867,791)
Total equity		**2,384,785**		4,157,376
Total liabilities and equity	$	**3,664,104**	$	5,231,917

Going concern (Note 1(c)); Commitment (Note 7); Subsequent events (Note 5(iii))

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 consolidated financial statements.

Tier One Silver Inc.

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

		Year ended December 31, 2023		Year ended December 31, 2022
Operating expenses:				
Exploration and evaluation	**$**	**1,910,755**	$	3,342,769
Fees, salaries, and other employee benefits		**1,480,175**		2,042,687
Legal and professional		**225,339**		335,704
Marketing and investor relations		**704,443**		1,262,352
Office and administration		**358,021**		488,737
Project investigation		**183,903**		64,521
Regulatory and transfer agent		**93,856**		116,266
Mineral property impairment (Note 5(ii) and (iii))		**430,747**		102,352
Costs related to option termination		**31,070**		-
		5,418,309		7,755,388
Other expenses (income):				
Accretion of provision for site reclamation and closure		**11,577**		-
Foreign exchange loss, net		**20,469**		3,087
Interest income		**(42,400)**		(39,291)
Share of net (income) loss from equity investments (Note 7)		**(33,001)**		20,202
Equity investment impairment (Note 7)		**104,402**		-
Loss for the year	**$**	**5,479,356**	$	7,739,386
Other comprehensive loss (income):				
Unrealized currency loss (gain) on translation		**20,444**		(76,004)
Comprehensive loss for the year	**$**	**5,499,800**	$	7,663,382
Basic and diluted loss per share	**$**	**0.04**	$	0.06
Basic and diluted weighted average number of shares outstanding		**146,799,855**		133,573,439

Tier One Silver Inc.

Consolidated Statements of Change in Equity

(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 (Note 10(a))	-		-		1,014,735		-		-		1,014,735
Units issued pursuant to offering, net of share issue costs	13,736,026		5,898,011		106,004		-		-		6,004,015
Other comprehensive income	-		-		-		76,004		-		76,004
Loss for the year	-		-		-		-		(7,739,386)		(7,739,386)
Balance at December 31, 2022	**139,530,923**	**$**	**27,001,612**	**$**	**4,141,198**	**$**	**(117,643)**	**$**	**(26,867,791)**	**$**	**4,157,376**
Share-based payments (Note 10(a))	**-**		**-**		**254,240**		**-**		**-**		**254,240**
Units issued pursuant to offerings, net of share issue costs (Note 9)	**20,415,000**		**3,342,559**		**130,410**		**-**		**-**		**3,472,969**
Warrants issued for finders' fees (Note 9)	**-**		**(31,536)**		**31,536**		**-**		**-**		**-**
Other comprehensive loss	**-**		**-**		**-**		**(20,444)**		**-**		**(20,444)**
Loss for the year	**-**		**-**		**-**		**-**		**(5,479,356)**		**(5,479,356)**
Balance at December 31, 2023	**159,945,923**	**$**	**30,312,635**	**$**	**4,557,384**	**$**	**(138,087)**	**$**	**(32,347,147)**	**$**	**2,384,785**

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, 2023		Year ended December 31, 2022
Operating activities:				
Loss for the year	**$**	**(5,479,356)**	$	(7,739,386)
Adjusted for:				
Interest income		**(42,400)**		(39,291)
Non-cash transactions:				
Mineral property impairment		**430,747**		102,352
Share-based payments		**254,240**		1,014,735
Depreciation		**10,511**		11,748
Accretion of provision for site reclamation and closure		**11,577**		-
Unrealized foreign exchange loss (gain)		**7,407**		(24,543)
Share of net (income) loss from equity investments		**(33,001)**		20,202
Cost related to option termination		**31,070**		-
Equity investment impairment		**104,402**		-
Changes in non-cash working capital:				
Amounts receivable		**(30,435)**		4,811
Prepaid expenses, deposits, and other		**310,640**		(41,370)
Accounts payable and accrued liabilities		**171,181**		(286,252)
Cash used in operating activities		**(4,253,417)**		(6,976,994)
Investing activities:				
Mineral property additions		**(1,671)**		(130,138)
Equity investments		**-**		(1,168)
Interest income received		**42,400**		39,291
Cash provided by (used in) investing activities		**40,729**		(92,015)
Financing activities:				
Proceeds from issuance of units, net of share issue costs		**3,485,937**		6,004,015
Cash provided by financing activities		**3,485,937**		6,004,015
Effect of foreign exchange rate changes on cash		**(1,009)**		28,485
Change in cash		**(727,760)**		(1,036,509)
Cash, beginning of the year		**1,553,349**		2,589,858
Cash, end of the year	**$**	**825,589**	$	1,553,349

Supplemental cash flow information (Note 13)

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 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 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 Corisur projects.

(c) Going concern

As at December 31, 2023, the Company had net working capital of $236,851 (December 31, 2022 - $1,499,672) and incurred a loss of $5,479,356 for the year then ended ($7,739,386 for year ended December 31, 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 closed two non-brokered private placements during the year ended December 31, 2023, 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 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.

These financial statements were approved and authorized for issuance on April 9, 2024, 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, 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 3(c) and 7).

(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 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 and 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 investment 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 frequently 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 title to all of its properties is 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 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 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 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 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 shares or options 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 reserves. Upon exercise, the fair value is reallocated from share purchase warrants reserve 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. 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 share option and warrant reserves until exercised. Upon exercise, shares are issued from treasury and the amount previously recorded in share option and warrant reserves is reclassified to share capital along with any consideration received.

(k) Income taxes

Income tax 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.

Financial liabilities

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.

Impairment

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

There are amendments to accounting standards, which are effective for annual periods beginning on or after January 1, 2023, as follows:

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 Company is now applying the definition of accounting estimates when assessing any changes and as a result, the adoption of the new standard did not have a current impact on 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, resulted in certain changes to the Company's accounting policies disclosure.

(p) Standards issued but not yet effective

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 Company will adopt the amendments to IAS 1 effective January 1, 2024. These amendments are not expected to have a significant impact on the Company's statement of financial position on the date of adoption.

(Expressed in Canadian dollars)

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 amendments are effective on January 1, 2024, and are not expected to have a significant impact on the Company's financial statements.

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. These amendments are effective on January 1, 2024, and are not expected to have a significant impact on the Company's financial statements.

4. Prepaid expenses, deposits and other

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

		December 31, 2023		December 31, 2022
Community and surface agreements	**$**	**64,839**	$	106,719
Exploration and evaluation		**23,375**		24,182
General, administration and marketing		**244,321**		416,963
UMS Canada (Note 11(a))		**60,486**		220,000
Total prepaid expenses, deposits and other	**$**	**393,021**	$	767,864
Current portion		**393,021**		736,876
Non-current portion	**$**	**-**	$	30,988

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 7). Typically, such prepayments are made in relation to annual insurance policies, software renewals and marketing activities, such as conference fees. Also included is the working capital deposit held by UMS Canada (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. As of December 31, 2023, the Company has surface rights agreements with the local communities at the Curibaya and Corisur projects which are in place until May 2024 (Curibaya) and September 2024 (Corisur).

(Expressed in Canadian dollars)

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, 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 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**

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 year ended December 31, 2023, the Company incurred $1,588,899 of exploration and evaluation expenses on Curibaya ($2,650,844 for the year ended December 31, 2022).

ii) Hurricane

On April 28, 2021, the Company entered into a share purchase option agreement (the "Hurricane 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 Hurricane Option, the Company staked additional concessions expanding the Hurricane project area to approximately 32,000 ha.

On October 20, 2023, the Company gave notice to Pembrook that it was terminating the Hurricane Option prior to achieving the access date, which was defined to be the earlier of October 31, 2023, and the date by which the Company secured the necessary surface rights and governmental permits to commence diamond drilling. As a result, the Company wrote off all previously capitalized costs related to the project and recognized an impairment charge of $368,643 for the year ended December 31, 2023.

The Company incurred $263,445 of exploration and evaluation expenses on the Hurricane project during the year ended December 31, 2023 ($661,402 during the year ended December 31, 2022).

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. During the year ended December 31, 2022, the Company made the decision to abandon approximately 11,500 hectares of non-core claims within the Corisur land package and wrote off $4,186 of capitalized cost associated with these claims. No further impairment has been recorded for the year ended December 31, 2023, however, subsequent to year end the Company has made the decision to relinquish the remaining claims.

A provision of $158,712 (US$120,000) for final costs relating to the 2021 termination of the Huilacollo option agreement remains on the consolidated statement of financial position as at December 31, 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

The Coastal Batholith project was staked primarily during the last quarter of 2020. Given the early stage of the project and the Company's plans to focus resources on its other projects, during 2022 the Company relinquished a portion of the claims and in June 2023 made the decision to relinquish all remaining Coastal Batholith claims to reduce costs and at that time, the Company wrote off all previously capitalized costs related to the project and recognized an impairment charge of $62,104 for the year ended December 31, 2023 ($98,166 during the year ended December 31, 2022). The Company is now reconsidering its plans to fully abandon the concessions and has retained a portion of the claims covering 3,700 ha for which fees had been prepaid.

Exploration and evaluation costs

On its properties that are grouped as other, which for 2023 reporting included the Coastal Batholith and Corisur claims, the Company recorded exploration and evaluation cost of $58,411 during the year ended December 31, 2023 ($30,523 during year ended December 31, 2022). In both the years ended December 31, 2023, and 2022, 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.

6. 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 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, 2023, the Company has accrued a provision for 2023 concession fees and production penalty fees for not completing sufficient work in each of 2022 and 2023. The provision totals $304,950 of which a portion is payable by June 30, 2024, and June 30, 2025.

(Expressed in Canadian dollars)

7. 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 December 31, 2023, the Company expects to incur approximately $0.7 million in respect of future lease payments for the remaining 7.5 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.

As at December 31, 2023, the Company is no longer using the services of UMS Peru, which is in the process of being wound up. As a result, the Company has written off the amount of its investment in UMS Peru, being $41,976, and the $62,426 deposit held by UMS Peru as it is not expected to be recovered. A total impairment of $104,402 was recorded through the statement of loss for the year ended December 31, 2023.

Summarized financial information of UMS Canada and UMS Peru

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

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)**

For the year ended December 31, 2022		**UMS Canada**		**UMS Peru**
Cost recoveries	$	(4,422,927)	$	(919,657)
Geological services		1,672,861		598,516
Administrative services		2,845,971		313,593
Net loss (income) for the year		95,905		(7,548)
Company's share of net loss (income)	**$**	**23,976**	**$**	**(3,774)**

(Expressed in Canadian dollars)

The carrying amounts of the Company's investments in UMS Canada and UMS Peru as at December 31, 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**	**$**	**130,966**
Company's share of net (loss) income for the year		(5,033)		38,034		33,001
Impairment of investment		-		(41,976)		(41,976)
Carrying amount as at December 31, 2023	**$**	**121,991**	**$**	**-**	**$**	**121,991**

The Company's equity interest in net assets and liabilities of UMS Canada and UMS Peru as at December 31, 2023, were as follows:

		UMS Canada		UMS Peru
Current assets	$	843,647	$	58,923
Non-current assets		2,468,384		115,140
Current liabilities		(1,484,317)		(90,112)
Non-current liabilities		(1,339,752)		-
Net assets - 100%		487,962		83,951
Company's equity interest in net assets	$	121,991	$	41,976
Impairment of Company's equity interest		-		(41,976)
Company's carrying amount at December 31, 2023	**$**	**121,991**	**$**	**-**

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. 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, 2023, as well as the demobilization and reclamation of the camp housing and site. 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, 2023 is $354,115 (December 31, 2022 – $354,600) which is based on the following key assumptions:

- Undiscounted risk-adjusted cash flow for site reclamation of US$280,809 (December 31, 2022 - $282,192);
- Expected timing of future cash flows, based on permit requirements and the estimated life of the project, is between 2024 and 2033 (December 31, 2022 – between 2023 and 2032);
- Projected Peruvian inflation of 3.71% for December 31, 2023 (December 31, 2022 – 3.36%); and
- Discount rate of 5.07% based on the 10-year Peruvian government bond yield (December 31, 2022 – 5.45%).

In addition to the Curibaya provision, having terminated certain option agreements, the Company has recorded a provision of $280,152 (December 31, 2022 - $180,135) in relation to the orderly closure of the options and returning the concessions to the optionor.

As a monetary liability, the provision is translated to CAD at the closing exchange rate from US$ to CAD of 1.3226 on December 31, 2023 (1.3544 on December 31, 2022).

(Expressed in Canadian dollars)

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

	December 31, 2023	December 31, 2022
Provision for option termination and closure	**$ 280,152**	$ 180,135
Curibaya provision for site reclamation and closure	**354,115**	354,600
Total provision for site reclamation and closure	**$ 634,267**	$ 534,735
Current balance	**$ 483,983**	$ 268,847
Non-current balance	**$ 150,284**	$ 265,888

9. Share capital

(a) Authorized

Unlimited common shares without par value.

(b) Common share issuances

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. 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 is recorded within the warrant reserve.

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 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 June Finders' Warrants, applying an expected volatility of 86.37% and a risk-free rate of 3.95%.

A reconciliation of the impact of the June 2023 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		(112,966)
Net proceeds		2,528,034
Finders' warrant value		(26,790)
Residual value of warrants		(56,220)
Impact on share capital	**10,564,000**	**$ 2,445,024**

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 Placements totaled $40,165, including customary referral fees.

(Expressed in Canadian dollars)

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 is recorded within the warrant reserve.

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 will entitle 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%.

	Number of common shares		Impact on share capital
Units issued at $0.10 per unit	**9,851,000**	**$**	**985,100**
Cash share issuance costs			(40,165)
Net proceeds			944,935
Finders' warrant value			(4,746)
Residual value of warrants			(74,190)
Impact on share capital	**9,851,000**	**$**	**865,999**

For the year ended December 31, 2022:

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.

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			(177,197)
Net proceeds			6,004,015
Residual value of warrants			(106,004)
Impact on share capital	**13,736,026**	**$**	**5,898,011**

10. Share option and warrant reserves

(a) Share 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 25% on the date of grant and 12½% every three months thereafter, for a total vesting period between 18 to 24 months.

(Expressed in Canadian dollars)

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
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**

As at December 31, 2023, 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	6,695,000	$ 1.00	2.27	6,695,000	$ 1.00	2.27
April 29, 2026	200,000	1.00	2.33	200,000	1.00	2.33
June 22, 2026	125,000	1.44	2.48	125,000	1.44	2.48
September 15, 2028	3,028,750	0.30	4.71	1,141,250	0.30	4.71
December 28, 2028	295,000	0.30	5.00	73,750	0.30	5.00
	10,343,750	**$ 0.78**	**3.07**	**8,235,000**	**$ 0.90**	**2.64**

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, 2023, the Company granted 3,350,000 share options to directors, officers, employees and other service providers (nil for the year ended December 31, 2022). The weighted average fair value per option of these share options was calculated as $0.09, using the Black-Scholes option valuation model at the grant date with the following weighted average assumptions:

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

(Expressed in Canadian dollars)

During the year ended December 31, 2023, and 2022, the Company recognized share-based payments expense net of forfeiture recovery as follows.

	Years ended December 31, 2023		2022
Exploration and evaluation	$ 41,870		$ 101,688
Fees, salaries, and other employee benefits	192,623		838,885
Marketing and investor relations	6,029		55,491
Project investigation	13,718		18,671
	$ 254,240		$ 1,014,735

(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	20,890,080	0.30
Outstanding, December 31, 2023	**34,626,106**	**$ 0.48**

A summary of the Company's warrants issued and outstanding as at December 31, 2023, is as follows:

Expiry date	Warrants outstanding	Exercise price
April 21, 2025	10,840,840	$0.35
May 31, 2025	13,736,026	0.75
December 8, 2025	5,092,240	0.25
December 15, 2025	4,957,000	0.25
	34,626,106	**$ 0.48**

11. 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 year ended December 31, 2023, and 2022, is as follows:

(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.

(Expressed in Canadian dollars)

		Years ended December 31,		
		2023		2022
Exploration and evaluation	**$**	**504,113**	$	945,223
General and administration		**944,450**		1,097,526
Marketing and investor relations		**46,692**		71,937
Project investigation		**78,700**		37,096
Total transactions for the year	**$**	**1,573,955**	$	2,151,782

As at December 31, 2023, $86,215 (December 31, 2022 - $58,068) was included in accounts payable and accrued liabilities and $60,486 (December 31, 2022 - $220,000) in prepaid expenses, deposits and other relating to transactions with UMS Canada.

As at December 31, 2023 the Company had a working capital deposit with UMS Peru in the amount of $62,426 (December 31, 2022 - $nil) which the Company does not expect to recover (Note 7) and therefore an impairment charge for the full amount has been recorded through the statement of loss for the year ended December 31, 2023.

(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 six non-executive directors:

		Years ended December 31,		
		2023		2022
Salary and benefits provided to executives	**$**	**783,029**	$	718,303
Non-executive directors' fees		**185,154**		206,788
Share-based payments		**172,329**		575,179
	$	**1,140,512**	$	1,500,270

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, 2023, the Company had an accounts payable balance with key management personnel of $122,058 ($nil as at December 31, 2022) which primarily related to deferred 2022 bonuses approved by the Company's Board of Directors.

The Company issues options to certain UMS employees, including key management personnel of the Company. The Company recognized share-based payments of $96,467 for the year ended December 31, 2023 ($494,964 for the year ended December 31, 2022).

(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, 2023		December 31, 2022
Loss before income taxes	**$**	**(5,479,356)**	$	(7,739,386)
Effective income tax rates		**27%**		27%
Expected income tax recovery		**(1,479,426)**		(2,089,634)
Increase (decrease) in income tax recovery resulting from:				
Change in prior year estimates		**269,398**		51,417
Difference in Peruvian income tax rates		**(60,821)**		(84,663)
Foreign exchange		**180,905**		(563,108)
Non-deductible items and other		**24,893**		58,598
Change in non-recognized deferred tax assets		**1,065,051**		2,627,390
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, 2023		December 31, 2022
Non-capital losses carried forward	**$**	**6,941,023**	$	6,186,500
Share issuance costs		**97,532**		111,036
Equipment		**6,807**		6,793
Mineral property interests		**2,791,815**		2,529,219
Provision for site reclamation and closure		**76,449**		78,288
Peruvian VAT receivable		**903,842**		840,581
		10,817,468		9,752,417
Unrecognized deferred tax assets		**(10,817,468)**		(9,752,417)
Net deferred tax balance	**$**	**-**	$	-

c) Tax losses

As at December 31, 2023, the Company has Canadian non-capital losses of approximately $9,207,017 (December 31, 2022 - $6,514,572) which may be carried forward to reduce taxable income of future years, and which, if unused expire 2040 through 2043.

The Company indirectly has Peruvian non-capital losses of approximately $15,102,131 (December 31, 2022 – $15,010,155), which may be carried forward to reduce taxable income of future years and which, if unused, expire 2024 through 2027.

13. Supplemental cash flow information

Cash flows were impacted by the following non-cash transactions:

	December 31, 2023	December 31, 2022
Share issuance costs incurred in relation to private placements recorded in accounts payable	**12,968**	-

There were no income taxes or interest paid during the years ended December 31, 2023, and 2022.

14. 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 December 31, 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 December 31, 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 December 31, 2023, 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 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, the amounts receivable consist of sales taxes receivable from the Governments of Canada and Peru, and the deposit is held by UMS 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 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, 2023, the Company's foreign currency exposure related to its financial assets and liabilities held in US$ and PEN is as follows:

		December 31, 2023		December 31, 2022
Peruvian soles expressed in C$				
Period end exchange rate C$ per Peruvian sol		**0.3569**		0.3557
Financial assets	**$**	**39,570**	**$**	8,293
Financial liabilities		**(295,302)**		(109,500)
Net exposure	**$**	**(255,732)**	**$**	(101,207)

		December 31, 2023		December 31, 2022
US$ expressed in C$				
Period end exchange rate C$ per US$		**1.3226**		1.3544
Financial assets	**$**	**511**	**$**	801
Net exposure	**$**	**511**	**$**	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.

15. 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.

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 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.