



(An exploration stage business)

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
TIER ONE SILVER INC.  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Dated: March 20, 2023

## Tier One Silver Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the years ended December 31, 2022 and 2021 (In Canadian dollars, unless otherwise noted)

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### 1. HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2022 AND THE PERIOD TO MARCH 20, 2023

#### 1.1 Operational highlights

- On February 16, 2023, Tier One Silver Inc. ("Tier One" or the "Company") reported composite chip sampling highlights (covering 1 square metre per sample) of 1.59% copper (Cu), 0.24% nickel (Ni), 0.22 grams per tonne (g/t) palladium (Pd), 0.13 g/t platinum (Pt), 204 g/t cobalt (Co), 0.21 g/t gold (Au); 1.43% Cu, 1.86% Ni, 0.16 g/t Pd, 0.18 g/t Pt, 1,110 g/t Co and 0.84% Cu, 2.26% Ni, 0.24 g/t Pd, 0.24 g/t Pt, 1,280 g/t Co from the new Rayanpata target area at the Hurricane project in southern Peru. Rayanpata is located 3 kilometres (km) north from the Magdalena high-grade silver vein target. The majority of the samples report high-grade values for copper, nickel and cobalt, and all of the results appear to be related to magmatic-style sulphide mineralization within a gabrodioritic sill. Of the 17 samples from Rayanpata, 65% report values above 0.1% Ni, 35% report values above 0.1% Cu and two samples report values above 1,000 g/t Co.
- On January 30, 2023, the Company announced that recent geophysical survey results, combined with existing exploration data sets, have led to the identification of a porphyry copper target underlying the silver-gold epithermal mineralization defined on surface at its Curibaya project in southern Peru. New data sets, from a 42.7-line km Controlled-Source-Audio-Frequency Magnetotelluric (CSAMT) geophysical survey over the central portion of the Curibaya project completed in late 2022, were integrated into the exploration model, building on previous geophysical, geochemical and geological data sets, to generate targets for the Company's next planned drill program at the project.
- On November 15, 2022, the Company announced rock and channel sampling results from the Magdalena target area on the Hurricane project. Highlights from the program include 1 metre (m) of 852.5 g/t silver (Ag), 1.54% Cu, 0.34% lead (Pb) and 0.23% zinc (Zn), 1 m of 522.5 g/t Ag, 1.15% Cu, 0.18% Pb and 0.18% Zn and 2 m of 232.5 g/t Ag, 0.37% Cu, 1.06% Pb and 1.78% Zn. These results have extended the mineralization at Magdalena by 500 m, where a total of 4 km of vein corridors have been recognized to date, and where numerous underground historical workings have been observed.
- On October 6, 2022, Tier One reported channel sampling results from the copper-nickel-platinum-palladium magmatic sulphide style mineralization at the San Cipriano and Ñañoahuayco target areas on the Hurricane project. Highlights from channel sampling gossan zones at the San Cipriano and Ñañoahuayco target areas include 48 m of 3.35% Cu, 0.97 g/t Pt, 0.97 g/t Pd, 1.13 g/t Au and 57.87 g/t Ag and 11.5 m of 1.41% Cu, 0.29% nickel Ni, 0.12 g/t Pt and 0.15 g/t Pd, respectively. Mineralization at both areas is in oxidized material with expected enrichment of grade and true thicknesses unknown at this point. The results confirm and expand upon the historical results and demonstrate a high metal budget at the targets, signifying to Tier One's technical team that further exploration is warranted.
- On September 26, 2022, the Company announced channel sampling results from the Curibaya project. The program focused on defining prospective structures for silver mineralization and was conducted primarily within the Cambaya structural corridors, which are at the highest elevation in the northeast area of the project. Highlights include 4.5 m of 408.2 g/t Ag and 1.48 g/t Au, including 1 m of 1,768.0 g/t Ag and 6.33 g/t Au, in 22CRT-080, 8 m of 349.1 g/t Ag and 0.46 g/t Au, including 1 m of 2,680.0 g/t Ag and 3.14 g/t Au, in 21CRT-56 and 2.5 m of 136.4 g/t Ag and 0.82 g/t Au, including 0.5 m of 568.0 g/t Ag and 3.37 g/t Au, in 22CRT-101. Importantly, arsenic values were generally highly elevated across the Cambaya target area, indicating to the technical team that the target is at the top of the epithermal system, with the precious metals window being preserved at shallow depths.
- On August 2, 2022, the Company announced that it had received its environmental approval, the Declaración de Impacto Ambiental ("DIA"), from the Peruvian Ministry of Energy and Mines for its 100% owned Curibaya project. The DIA permit allows the Company to extend the drilling boundaries to include the Cambaya target area and drill up to 200 holes from 20 new drill platforms.
- On May 19, 2022, the Company announced that it had gained additional local community consent to access surface sites at the Hurricane project. A social agreement has been signed with the Hualla community, which will allow for exploration of the Ñañoahuayco, San Cipriano and Morro Culispata copper-nickel-platinum-palladium-silver prospects. The agreement is valid for two years and allows the Company to conduct surface work as well as drilling once a drill permit has been obtained from the Peruvian Ministry of Energy and Mines. Historical work at the Ñañoahuayco and San Cipriano prospects included surface sampling, ground-based geophysical surveys and initial drill tests by the previous operator from 2009 – 2010. The 10-hole 1,061 m historical drill program at Ñañoahuayco included 14 m of 2.59% Cu, 0.62% Ni, 311 g/t Co, 0.3 g/t Pt and 0.55 g/t Pd.

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- On March 14, 2022, the Company announced plans for a 2022 exploration and drill program at its 100% owned Curibaya project. The 2022 program, which was subject to financing, was expected to focus on expanding the high-grade intercepts drilled in phase one which were encountered along discrete structural corridors as described in the Curibaya Technical Report (with an effective date of February 15, 2022). The outcome of the 2021 drilling has resulted in the interpretation of over 6 km of prospective structural targets.
- On February 14, 2022, the Company announced the results from the last five drill holes of the first phase of drilling at the Curibaya project. Hole 16 intercepted 1.5 m of 1,213.7 g/t AgEq (1129 g/t Ag, 1.04 g/t Au, 0.15% Zn, 0.09% Pb) in a larger interval of 7 m of 299.1 g/t AgEq (272 g/t Ag, 0.33 g/t Au, 0.05% Zn, 0.03% Pb) on the Sambalay structural corridor. This drill hole targeted higher elevations of the intermediate sulphidation system than the majority of the holes drilled to date and is located on a two km corridor that extends toward the Cambaya target area, where the Company has seen the best channel sample results, including 20 m of 293.8 g/t AgEq (243 g/t Ag, 0.71 g/t Au), 11 m of 348.2 g/t AgEq (232 g/t Ag, 1.61 g/t Au), 9 m of 438.8 g/t AgEq (409 g/t Ag, 0.41 g/t Au), 2 m of 1,119.2 g/t AgEq (1074 g/t Ag, 0.53 g/t Au) and 2 m of 1,852.8 g/t AgEq (1737 g/t Ag, 1.61 g/t Au).
- On January 24, 2022, the Company announced results from drill holes 7 – 11 at the Curibaya project. Hole 9 drilled 3 m of 384.6 g/t AgEq (350 g/t Ag, 0.47 g/t Au, 0.01% Zn, 0.01% Pb) in a wider interval of 5.5 m of 221.5 g/t AgEq (201 g/t Ag, 0.27 g/t Au, 0.01% Zn, 0.01% Pb) and was the first hole to target the Tupal structural corridor. This corridor is primarily defined by an airborne magnetics gradient that has a strike length of 2.5 km.

## 1.2 Corporate Highlights

- On January 30, 2023, the Company announced that Michael Henrichsen had retired as Chief Geologist of Tier One Silver to focus his efforts as Chief Geological Officer of Torq Resources Inc. and that Christian Rios, SVP of Exploration, will be leading exploration operations at the Company going forward.
- On August 26, 2022, Tier One announced that it had obtained the receipt for its final short form base shelf prospectus (the "Shelf Prospectus") filed with the securities commissions in each of the provinces and territories of Canada. The filing of a Shelf Prospectus is intended to provide the Company with financing flexibility as it allows the Company to qualify the distribution of up to \$100,000,000 of common shares, warrants, subscription receipts, units, debt securities, or any combination thereof, from time to time over the 25-month period that the Shelf Prospectus remains effective. The specific terms of any future offering of securities (if any) will be set forth in each shelf prospectus supplement, which must be filed with the applicable Canadian securities regulatory authorities in connection with any such offering.
- On June 27, 2022, the Company announced that Ivan Bebek is the sole Chair of the Board of Directors and that former Co-Chair, Shawn Wallace, has retired from the Board and moved into an advisory role.
- On June 16, 2022, the Company announced that it completed a non-brokered private placement (the "2022 Private Placement") superseding an aborted financing announced April 12, 2022, for a total of \$6.18 million through the issuance of 13,736,026 units (the "Units") at an offering price of \$0.45 per Unit. Each Unit consisted of one common share (each, a "Share") and one common share purchase warrant (each, a "Warrant") exercisable at a price of \$0.75 until May 31, 2025. The Warrants are subject to accelerated expiry if the closing price of the common shares of the Company is greater than \$1.50 for 10 consecutive trading days on the TSX Venture Exchange (the "TSXV") any time after the first 12 months from the initial tranche closing. The Company intends to use the net proceeds from the 2022 Private Placement to fund continued exploration at the Company's portfolio of assets in Peru, primarily Curibaya, and for general working capital.
- On January 24, 2022, Tier One announced the appointment of Christian Rios to Senior Vice President of Exploration ("SVP") from his former role as the SVP of Operations in Peru. Mr. Rios is a professional geologist (P.Geo.) who, prior to working with Tier One, was the Vice President of Exploration at Bear Creek Mining where he was directly involved in the discovery of the world-class Santa Ana and Corani silver-lead-zinc deposits in Peru and was on the team that delivered the feasibility study of the Corani deposit. Mr. Rios has a master's degree in Economic Geology and over twenty years of experience in exploration, mining development and operations, specializing in Peru. He succeeds Dave Smithson, who resigned for personal reasons.

## 2. DATE AND FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis ("MD&A") of Tier One has been prepared by management to assist the reader in assessing material changes in the consolidated financial statements and results of operations of the Company as at December 31, 2022 and for the year then ended. Subsequent events are as of the dates noted.

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This MD&A should be read in conjunction with the consolidated financial statements of the Company and related notes thereto as at and for the year ended December 31, 2022. All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and all dollar amounts presented are Canadian dollars unless otherwise stated.

United States readers should be aware that the Company uses mineral terminology based on the Canadian Institute of Mining and Metallurgy ("CIM"). CIM standards are not the same as those accepted by the US Securities Exchange Commission for US domestic mining company disclosure. Further details of these differences can be found in our Annual Information Form filings.

The effective date of this MD&A is March 20, 2023.

### 2.1 Forward-looking statements and risk factors

Certain statements made in this MD&A contain forward-looking information within the meaning of applicable Canadian and United States securities laws ("forward-looking statements"). These forward-looking statements are presented for the purpose of assisting the Company's shareholders and prospective investors in understanding management's intentions and views regarding future outcomes and are inherently uncertain and should not be heavily relied upon. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company, identify such forward-looking statements. Specific forward-looking statements in this MD&A may include, but are not limited to: the Company's ability to execute on its exploration and financing plans, the likelihood of discovering resources; the potential for delays in respect of access to and exploration of the Company's Curibaya or Hurricane Projects, permitting timelines; government regulation of mineral exploration; environmental and climate-related risks; the possible impairment of mining interests; any objectives, expectations, intentions, plans, results, levels of activity, goals or achievements; the timing and amount of estimated exploration expenditures and capital raises for the Company; the liquidity of the common shares in the capital of the Company and other events or conditions that may occur in the future; the Company's intention to grow its business and its operations; the Company's competitive position; changes to government regulation, in particular Peruvian; and the continuing non-material burden of the COVID-19 pandemic on the Company's operations and the economy generally.

Inherent in the forward-looking statements are known and unknown risks, uncertainties and other factors beyond the Company's ability to control or predict, that may cause the actual results, performance or achievements of the Company, or developments in the Company's business or in its industry, to adversely differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Some of the risks and other factors (many of which are beyond the Company's control) which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this MD&A include, but are not limited to, the financial market appetite to finance junior resources issuers, the lack of meaningful exploration success, fluctuations in the current and projected prices for silver, other precious and base metals and other commodities (such as natural gas, fuel and electricity) which are needed for exploration activities; risks and hazards associated with the business of mineral exploration (including environmental hazards, potential unintended releases of contaminants, industrial accidents, unusual or unexpected geological or structural formations, pressures, cave-ins and flooding); the speculative nature of mineral exploration; the uncertainty of estimation of mineral resources, the Company's ability to obtain funding, whether debt or equity; the current lack of any estimated mineralized resources; environmental risks and remediation measures, including evolving environmental regulations and legislation; changes in laws and regulations impacting exploration activities; the Company's mineral properties being subject to prior unregistered agreements, transfers or claims and other defects in title; legal and litigation risks; statutory and regulatory compliance; insurance and uninsurable risks; the Company's limited business history and history of losses and negative cash flow, which will continue into the foreseeable future; the Company's inability to pay dividends, volatility in the Company's share price, the continuation of the Company's management team and its ability to secure the specialized skill and knowledge necessary to operate in the mining industry; relations with and claims by local communities and non-governmental organizations, including relations with and claims by Peruvian indigenous peoples; the requirements of being a public company, including maintaining the listing and other compliance requirements of the TSXV and other regulatory bodies, the effectiveness of the Company's internal control over financial reporting; cybersecurity risks; risks relating to the Company's public perception; general business, economic, competitive, Peruvian political and social uncertainties; currency conversion risks between Canadian dollars and the United States dollars and Peruvian soles, and public health crises such as the COVID-19 pandemic. This is not an exhaustive list of the risks and other factors that may adversely affect any of the Company's forward-looking statements. Readers should refer to the risks discussed herein and in the Company's Annual Information Form for the year ended December 31, 2022, filed on or about the date hereof, and subsequent disclosure filings with the Canadian Securities Administrators, available on SEDAR at [www.sedar.com](http://www.sedar.com).

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### 3. DESCRIPTION OF THE BUSINESS

The Company is a junior resource exploration issuer seeking to create significant value for shareholders through the exploration for silver, gold and base-metal deposits in Peru. The primary focus of the Company is on its 100% owned Curibaya project, which consists of approximately 17,000 hectares (ha) located approximately 48 km north-northeast of the provincial capital, Tacna, accessible by road. The Company's other material project, Hurricane, covers approximately 32,000 ha and is located approximately 65 km north of the city of Cusco.

In addition to its material projects discussed above, the Company also has certain concessions referred to as the Coastal Batholith and Corisur claims. In June 2022, the Company relinquished a number of these non-material claims, by allowing them to expire, to economize on its land holdings and focus on the most prospective targets, which may warrant further exploration. The Coastal Batholith, a low altitude project located approximately 180 km north of Lima, near the Pan-American Highway, now comprises of two target areas on the coast of Peru, totaling 15,000 ha. The Corisur claims cover 1,300 ha, located 52 km from Tacna, and consist of the Tacora, Tacora Sur and Andamarca concessions that were previously grouped as part of the Huilacollo project.



Figure 1 – Locations of Tier One's properties within Peru.

Beyond having title to its mineral properties, the Company must secure environmental and social permits in order to conduct its exploration activities and thus building and maintaining relationships with its key stakeholders, namely governmental bodies and local communities, among others, is crucial to the Company's continued success. In this regard, the Company believes that it conducts itself to the highest standards around environmental and social responsibility and corporate governance.

As a normal part of the exploration process, Tier One enters into access and use agreements with the local communities. The process requires achieving local community consensus through positive dialogue with the communities. As at the date hereof, the Company has agreements with communities covering a portion of the Curibaya and Hurricane projects, each of which provides surface access for two-year periods. The agreements are in place until May 2023 (Curibaya), August 2023 (Magdalena target area - Hurricane) and December 2023 (San Cipriano and Ñañoahuayco target areas - Hurricane). Management believes that agreements will continue to be maintained and updated, although there can be no certainty about their timing or extent.

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### 3.1 Peruvian projects

#### 3.1.1 Curibaya

The Curibaya property is comprised of approximately 17,000 ha and is situated in a copper porphyry belt that hosts some of Peru's largest porphyry deposits. Tier One has a 100% interest in the Curibaya project, which is comprised of numerous concessions acquired through staking efforts, mostly by the Company's corporate predecessor, and the Sambalay and Salvador concessions, which were acquired in 2019. The Sambalay concessions are subject to a 1.5% net smelter return ("NSR") royalty in favor of Teck Peru, S.A.C. ("Teck") and Compañía de Exploraciones Orion S.A. One third or 0.5% of the Teck NSR royalty is buyable for US\$1.0 million. The Salvador concessions are subject to a 2.0% NSR royalty and a US\$2.0 million production payment, payable at the time a production decision is made, and to secure payment of such consideration, a legal mortgage in favor of Teck is recorded in the registry files of the Salvador concessions.

#### 2022 Work Programs, Expenditures and Plans

Throughout the first half of 2022, the Company continued to progress its permitting application for the extended DIA drill permit, which was received on August 2, 2022, allows for up to 200 holes from 20 new drill platforms and includes the high priority target area at the Cambaya structural corridors.

In late June 2022, the Company remobilized teams to site and recommenced surface exploration work. During Q3 2022, the Company completed a channel sampling program, primarily within the Cambaya structural corridors located in the northeast area of the project, which is highest in elevation. Highlights from the program, which focused on defining prospective structures for silver mineralization, included 4.5 m of 408.2 g/t Ag and 1.48 g/t Au, including 1 m of 1,768.0 g/t Ag and 6.33 g/t Au, in 22CRT-080, 8 m of 349.1 g/t Ag and 0.46 g/t Au, including 1 m of 2,680.0 g/t Ag and 3.14 g/t Au, in 21CRT-56 and 2.5 m of 136.4 g/t Ag and 0.82 g/t Au, including 0.5 m of 568.0 g/t Ag and 3.37 g/t Au, in 22CRT-101. More details on the channel sampling program completed at Curibaya, including a summary of results, can be found in the September 26, 2022, news release on the Company's website and at [www.sedar.com](http://www.sedar.com).

In addition to the channel sampling program, the Company completed a 42.7-line km CSAMT geophysical survey in the central portion of the Curibaya project with the purpose of defining the resistivity/conductivity properties at depth, where zones of lower resistivity and higher conductivity can indicate zones of intense hydrothermal alteration that may be associated with a copper porphyry system. The survey results, combined with existing exploration data sets, have led to the identification of a porphyry copper target underlying the silver-gold epithermal mineralization defined on surface.

In 2023 the Company plans to complete a second phase of drilling, expected to comprise of between 2,000 – 5,000 metres to follow-up on the high-grade silver-gold epithermal mineralization defined at surface and target the two main conductive features that may relate to a porphyry system. Drill plans will continue to be subject to results, market conditions and the Company securing additional financing.

The Company incurred \$2,650,844 of exploration and evaluation costs on Curibaya during the year ended December 31, 2022 (\$8,571,163 for the year ended December 31, 2021).

#### 3.1.2 Hurricane

The Hurricane project, which covers approximately 32,000 ha and is located 66 km north of the city of Cusco, was acquired by way of a share purchase option agreement (the "Pembrook Option") which grants the Company the option to acquire Tororume, a subsidiary of Pembrook Copper Corp. ("Pembrook") which owns the project concessions. 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 Hurricane 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. As of October 31, 2022, and the date of this MD&A, only the surface rights had been secured (with two local communities) and as such, effective October 31, 2022, the Company amended the Pembrook Option to defer the Access Date to the earlier of October 31, 2023, and the date the drill permit is obtained. In consideration of this extension, the Company paid Pembrook US\$75,000 as a non-refundable advance of the first option payment that will be due on the 1st anniversary date of the Access Date if the option is proceeded with. 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).

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

Due Dates	Status	Option Payments (in '000 US\$)	Work Expenditure (in '000 US\$)
By April 28, 2021	Completed	84	-
1 <sup>st</sup> Anniversary of Access Date	US\$75,000 Advanced	250	750
2 <sup>nd</sup> Anniversary of Access Date		350	1,000
3 <sup>rd</sup> Anniversary of Access Date		500	2,000
4 <sup>th</sup> Anniversary of Access Date		1,000	3,000
5 <sup>th</sup> Anniversary of Access Date		2,500	4,000
<b>Total to acquire 90%</b>		<b>4,684</b>	<b>10,750</b>
Payment to acquire final 10%		10,000	-
<b>Total to acquire 100%</b>		<b>14,684</b>	<b>10,750</b>

### 2022 Work Programs, Expenditures and 2023 Plans

As of the date of this MD&A, the Company has two-year surface access agreements with two of the five local communities surrounding the Hurricane project, which provide surface access to the Ñañoahuayco, San Cipriano and Morro Culispata copper-nickel-platinum-palladium-silver prospects, the Magdalena silver prospect, and half of the Pampayeoc silver prospect. The current agreements will allow for drilling once a drill permit has been obtained from the Peruvian Ministry of Energy and Mines. The agreements will need to be renewed in August and December of 2023. While the Company currently has access to the highest priority targets and surface exploration is underway at these prospects, additional community agreements will be needed to gain access to other areas of the project including areas where mineralization is found to extend beyond community boundaries. Such agreements are not actively being pursued at this time, however, the Company continues to undertake community relations activities with all local communities and land holders to maintain positive and mutually beneficial relationships.

In late June 2022, the Company returned to the Hurricane project to initiate surface work including geological mapping, rock and channel sampling at the Magdalena, Ñañoahuayco and San Cipriano target areas.

### Magdalena Target Area

During Q3 2022, the Company completed a 15-day rock and channel sampling program at the Magdalena target area which resulted in the extension of the mineralization by 500 m, where a total of 4 km of vein corridors have been recognized to date, and where numerous underground historical workings have been observed. Highlights from the program include 1 m of 852.5 g/t Ag, 1.54% Cu, 0.34% Pb and 0.23% Zn, 1 m of 522.5 g/t Ag, 1.15% Cu, 0.18% Pb and 0.18% Zn and 2 m of 232.5 g/t Ag, 0.37% Cu, 1.06% Pb and 1.78% Zn. All mineralized structures remain open along strike, and with nearly 60% of the target area under cover, there is significant potential to discover extensions of and/or additional mineralized structures. More information, including a table outlining the results from the samples taken during the program, can be found in the news release dated November 15, 2022, as filed on the Company's website and at [www.sedar.com](http://www.sedar.com).

There are two primary epithermal vein mineralized structures, each greater than 1 km in length, as well as numerous splays and smaller structures in the Magdalena target area. The primary mineralized structures and splays have a combined strike length greater than 4 km and an average width of 1 m - 2 m with local vein widths up to 7 m wide. All mineralized structures remain open along strike and with nearly 60% of the target area under cover there is significant potential to discover extensions of and/or additional mineralized structures.

The next phase of exploration at Magdalena, which is subject to financing, will focus on additional field work that includes soil sampling, mapping, trenching and a magnetics IP geophysical survey to evaluate the potential of these structures and the possible magmatic source.

### San Cipriano and Ñañoahuayco Target Areas

Rock and channel sampling programs were also completed in Q3 2022 in the copper-nickel-platinum-palladium magmatic sulphide style mineralization at the San Cipriano and Ñañoahuayco target areas. Results confirmed and expanded on historical results and demonstrated a high metal budget at the targets, signifying to Tier One's technical team that further exploration is warranted. More information, including tables outlining the results from the samples taken during the programs, can be found in the news release dated October 6, 2022, as filed on the Company's website and at [www.sedar.com](http://www.sedar.com).

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### *San Cipriano*

At San Cipriano, 2022 channel sampling has validated and extended sulphide-bearing gabbroic sills capable of producing significant grades. There are three sills that on surface average approximately 1 m – 2 m in thickness within a structural zone of sulphide mineralization with an approximate true width of 30 m. The gossan zone at the target area is approximately 50 m x 150 m with channel samples 22-HRT-75 and 22-HRT-76 cutting obliquely along the mineralized sills within the 30 m thick sequence of mineralized stratigraphy. A private Peruvian company completed a small drill program, consisting of 1,722 m in 11 drill holes, at the target and surrounding area. The best result achieved in the historical program was in drill hole SCI-06, which intersected 5.7 m of 0.22% Cu, 69.5 g/t Ag, 2.54 g/t Pt, 1.52 g/t Pd and 1.69 g/t Au from surface in the gossan (see May 19, 2022 news release). Based on the measured orientation of the sills, Tier One's technical team believes the historical drilling did not adequately test the mineralized sequence of mafic sills, leaving an exploration target for future drilling.

### *Ñañoahuayco*

The Ñañoahuayco target is characterized by a high-grade gossan zone over an area approximately 90 m x 90 m. Magmatic sulphides are found within gabbroic sills intruding meta-sediments. A historical drill campaign of 1,061 m in ten drill holes targeting the gossan zones returned several high-grade intercepts including 14 m of 2.59% Cu, 0.62% Ni, 311 g/t Cobalt (Co), 0.3 g/t Pt, 0.55 g/t Pd and 0.24 g/t Au (see May 19, 2022 news release). Results from Tier One's channel sampling program both confirmed and significantly extended the mineralization at the Ñañoahuayco target area, where a new area of mineralization was encountered 1.2 km to the northwest of the gossans that were historically drill tested.

Channel sampling highlights from the gossan, which was the focus of historical drilling, yielded 11.5 m of 1.41% Cu, 0.29% Ni, 0.12 g/t Pt, and 0.15 g/t Pd and 22.5 m of 1.39% Cu, 0.13% Ni and 0.12% Pd. In addition, reconnaissance exploration identified a new mineralized area, 1.2 km to the northwest of the historical drilling, with channel sample 22HRT-67 yielding 4 m of 0.88% Cu, 0.3% Ni and 0.15 g/t Pd.

Collectively, the San Cipriano and Ñañoahuayco targets will be further advanced and refined to a drill ready stage through additional geophysics, mapping and geochemical sampling, all subject to the Company obtaining additional financing.

During the year ended December 31, 2022, the Company incurred \$661,402 of exploration and evaluation costs on the Hurricane project (\$281,388 for the year ended December 31, 2021) and as of December 31, 2022, a total of \$768,169 (US\$594,966) has been incurred as part of the US\$750,000 work expenditure required by the 1<sup>st</sup> Anniversary of the Access Date.

### **3.1.3 Other**

#### Corisur Claims

In 2017, the Company acquired the rights, subject to certain net smelter return royalties, to the Tacora, Tacora Sur and Andamarca concessions covering 1,300 ha through two acquisition agreements. These concessions now make up the Corisur claims, after the Company allowed certain additional concessions to lapse during Q2 2022. The Corisur claims are located in the border zone, and therefore unconditional ownership can only be achieved by any non-Peruvian controlled entity by obtaining a Supreme Decree from the government, although the concessions can be sold to a Peruvian national at any time. No Supreme Decree has been sought by the Company. The Company maintains surface rights, expiring in 2024, over a portion of the claims still held.

#### Coastal Batholith

The Coastal Batholith project was staked primarily during the last quarter of 2020. Tier One originally screened 11,000 square km using a stream sediment survey which identified five target areas, located within the northern half of the Cretaceous porphyry and IOCG belt that hosts the Zafranel (Teck Resources), Tia Maria (Southern Copper Corp.) and Mina Justa (Minsur S.A.) deposits in the southern region of Peru. The Company's technical team believes that the same geology continues north of these deposits but that it has never been explored in a systematic manner.

After completing a more detailed review of the data gathered since staking the project, the Company decided to retain what it believes are the two most prospective targets and abandoned the remainder of its land position in Q2 2022. The two target areas total approximately 15,000 ha, with both precious and base metal opportunities. As there is no specific exploration season for this region on the coast, the Company is able to complete work at the Coastal Batholith project year-round. In early 2023, the Company completed minor follow-up surface exploration.

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### Exploration and Evaluation Costs

On its properties that are grouped as other, namely the Coastal Batholith and Corisur claims, the Company recorded an exploration and evaluation cost of \$30,523 during the year ended December 31, 2022 (\$712,111 during the year ended December 31, 2021). The Company also recorded a mineral property impairment of \$102,352 during the year ended December 31, 2022, in relation to the Corisur and Coastal Batholith concessions that lapsed during the period (\$2,041,437 during the year ended December 31, 2021, in relation to last year's termination of the Huilacollo and Emilia option agreements).

### **3.2 Qualified persons and technical disclosures**

Christian Rios, P.Geo., SVP of Exploration of the Company, is the Qualified Person with respect to the technical disclosures in this MD&A.

#### Notice to reader regarding Silver Equivalent (AgEq)

The Company has previously disclosed estimated silver equivalent grades where drill core or channel samples contained more than one mineral in addition to silver. These silver equivalent grade estimates were not adjusted downwards to reflect the fact that metal mining and processing always results in a loss of metal content from in situ grades. The previously disclosed silver grades while indicative of the presence of metal mineralization, cannot be relied upon for any kind of economic assessment of the mineralization until metallurgical recovery studies have been completed and a range of likely recovery percentages established and applied to the various metals in the mineralization. The Company's disclosure policy going forward is to disclose separately the grade of each metal separately where more than one metal is contained in an assayed sample.

#### 2021 Curibaya Drilling

Analytical samples were taken by sawing HQ or NQ diameter core into equal halves on site and sending one of the halves to ALS Lab in Arequipa, Peru for preparation and then to Lima, Peru for analysis. All samples are assayed using 30 g nominal weight fire assay with atomic absorption finish (Au-AA25) and multi-element four acid digest ICP-AES/ICP-MS method (ME-MS61). Where MS61 results were greater or near 10,000 ppm Cu, 10,000 ppm Pb or 100 ppm Ag the assays were repeated with ore grade four acid digest method (Cu, Pb, Ag-OG62). Where OG62 results were greater or near 1,500 ppm Ag the assay were repeated with 30 g nominal weight fire assay with gravimetric finish (Ag-GRA21).

QA/QC programs for 2021 core samples using company and lab duplicates, standards and blanks indicate good accuracy and precision in a large majority of standards assayed.

Silver equivalent grades (AgEq) were calculated using a silver price of US\$18/oz, gold price of US\$1,300/oz, zinc price of US\$1.25/lb and lead price of US\$1.00/lb. Metallurgical recoveries were not applied to the AgEq calculation.

Intercepts were calculated with no less than 5 m of  $\geq 25$  g/t AgEq with maximum allowed consecutive dilution of 6 m. True widths of mineralization are unknown based on current geometric understanding of the mineralized intervals.

#### Curibaya Channel Sampling

Analytical samples were taken from each 1 m interval of channel floor resulting in approximately 2-3 kg of rock chip material per sample. Collected samples were sent to ALS Lab in Arequipa, Peru for preparation and then to Lima, Peru for analysis. All samples are assayed using 30 g nominal weight fire assay with atomic absorption finish (Au-AA25) and multi-element four acid digest ICP-AES/ICP-MS method (ME-MS61). Where MS61 results were greater or near 10,000 ppm Cu, 10,000 ppm Pb or 100 ppm Ag, the assays were repeated with ore grade four acid digest method (Cu, Pb, Ag-OG62). Where OG62 results were greater or near 1,500 ppm Ag the assays were repeated with 30 g nominal weight fire assay with gravimetric finish (Ag-GRA21). QA/QC programs for 2021 and 2022 channel samples using internal standard and blank samples, field and lab duplicates indicate good overall accuracy and precision.

#### Curibaya Rock Sampling

Approximately 2-3 kg of material was collected for analysis and sent to ALS Lab in Arequipa, Peru for preparation and then to Lima, Peru for analysis. All samples are assayed using 30 g nominal weight fire assay with ICP finish (Au-ICP21) and multi-element four acid digest ICP-AES/ICP-MS method (ME-MS61). Where ICP21 results were  $> 3$  g/t Au, the assays were repeated with 30 g nominal weight fire assay with gravimetric finish (Au-GRA21). Where MS61 results were greater or near 10,000 ppm Cu, 10,000 ppm Pb or 100 ppm Ag, the assays were repeated with ore grade four acid digest method (Cu, Pb, Ag-OG62). Where OG62 results were greater or near 1,500 ppm Ag the assay were repeated with 30 g

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nominal weight fire assay with gravimetric finish (Ag-GRA21). Where Ag-GRA21 results were greater or near 10,000 ppm Ag, the assay was repeated with fire assay with gravimetric finish for concentrate (Ag-CON01). QA/QC programs for 2021 rock samples using company and lab duplicates, standards and blanks indicate good accuracy and precision in a large majority of standards assayed.

#### Curibaya CSAMT Parameters

The CSAMT survey was carried out by Quantec Geoscience Perú S.A.C., a company based in Vancouver with divisions operating in South America, including Peru. Data points were collected on grid lines-oriented NW-SE using 50 m station spacings, covering an area of approximately 4.5 km x 3.5 km. Overall, data quality is considered well above average and no stations were affected by external factors.

Results were compiled into sections, grid maps and a 3D Voxel model. Occam or Marquardt 1D Inversions are first used to invert the data to produce a smooth-layer 1-D resistivity/depth curve for each station. To avoid the effects of the near-field, some frequencies were removed.

Readings are statistically averaged based upon adjacent points to produce an associated value for each cell. Quantec Geoscience Perú S.A.C. provides high confidence in readings to a depth of at least 700 m.

#### Hurricane Channel Sampling - Magdalena

Analytical samples were taken from each 0.1 m - 2.15-m interval of channel floor resulting in approximately 2-4 kg of rock chips material per sample. Collected samples were sent to ALS Lab in Arequipa, Peru for preparation and then to Lima, Peru for analysis. All samples are assayed for gold, platinum and palladium using 30 g nominal weight fire assay with ICP-AES finish method (PGM-ICP27) and for multi-element using four acid digest ICP-AES/ICP-MS method (ME-MS61). Where MS61 results were greater or near 10,000 ppm Cu, 10,000 ppm Pb, 10,000 ppm Zn or 100 ppm Ag, the assays were repeated with ore grade four acid digest method (Cu, Pb, Zn, Ag-OG62). Where OG62 results were greater or near 1,500 ppm Ag, the assays were repeated with 30 g nominal weight fire assay with gravimetric finish (Ag-GRA21). QA/QC programs for 2022 channel samples at Hurricane using internal and lab standard and blank samples, and field and lab duplicates, indicate good overall accuracy and precision.

#### Hurricane Rock Sampling - Magdalena

Approximately 2-3 kg of material was collected for analysis and sent to ALS Lab in Arequipa, Peru for preparation and then to Lima, Peru for analysis. All samples are assayed for gold, platinum and palladium using 30 g nominal weight fire assay with ICP-AES finish method (PGM-ICP23) and for multi-element using four acid digest ICP-AES/ICP-MS method (ME-MS61). Where MS61 results were greater or near 10,000 ppm Cu, 10,000 ppm Pb, 10,000 ppm Zn or 100 ppm Ag, the assays were repeated with ore grade four acid digest method (Cu, Pb, Zn, Ag-OG62). Where OG62 results were greater or near 1,500 ppm Ag, the assays were repeated with 30 g nominal weight fire assay with gravimetric finish (Ag-GRA21). QA/QC programs for 2022 rock samples at Hurricane using internal and lab standard and blank samples, and lab duplicates, indicate good overall accuracy and precision.

#### Hurricane Channel Sampling – San Cipriano and Ñañoahuayco

Analytical samples were taken from each 0.2-5.0 m interval of channel floor resulting in approximately 2-4 kg of rock chips material per sample. Collected samples were sent to ALS Lab in Arequipa, Peru for preparation then to Lima, Peru for analysis. All samples are assayed for gold, platinum and palladium using 30 g nominal weight fire assay with ICP-AES finish method (PGM-ICP27) and for multi-element using four acid digestion ICP-AES/ICP-MS method (ME-MS61). Where MS61 results were greater or near 10,000 ppm Cu, 10,000 ppm Pb, 10,000 ppm Zn or 100 ppm Ag the assays were repeated with ore grade four acid digestion method (Cu, Pb, Zn, Ag-OG62). QA/QC programs for 2022 channel samples at Hurricane using internal standard and blank samples; field and lab duplicates indicate good overall accuracy and precision.

## **4. DISCUSSION OF OPERATIONS**

### **4.1 Overall Performance**

Despite the current difficult capital markets, rising inflation and the political uncertainty and social unrest in Peru, which had only a very limited impact on the Company in relation to restricted travel, 2022 was a year of continued advancement for the Company. The Company made further progress on its primary business objectives, being the exploration of its Curibaya and Hurricane projects. Challenging capital markets for junior resource explorers meant that access to capital was limited, and the Company was unable to complete its follow up drill program at Curibaya. Instead, the Company

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scaled back its exploration programs to conserve cash and used funds from its 2022 Private Placement to continue surface work at each of its Curibaya and Hurricane projects (as further discussed in sections 3.1.1 and 3.1.2 above). The programs were focused on progressing the projects to a drill-ready stage so that the next phase of work, namely drilling at Curibaya and drill permitting at Hurricane, can commence when markets and financing may permit. During 2022, the Company also filed the Shelf Prospectus to provide flexibility around future financings within the 25-month period that it remains in place.

#### 4.2 Three months ended December 31, 2022 and 2021 (Q4 2022 vs. Q4 2021)

During the three months ended December 31, 2022, the Company reported a loss of \$1,592,730 compared to a loss of \$4,992,679 for the comparable period in 2021. Significant variances within operating expenses and other expenses, which in combination resulted in \$3,399,949 decrease in the current period's loss, are discussed as follows:

- Exploration and evaluation costs in Q4 2022 decreased to \$757,818 from \$3,221,307 in Q4 2021. Costs incurred during Q4 2022, related to the completion of surface programs at each of Curibaya and Hurricane, including the CSAMT survey at Curibaya, and follow up desktop work to analyze the program results and integrate the new data sets into the exploration models. In comparison, costs were higher in Q4 2021 as drilling at Curibaya was on-going throughout the quarter and completed in December 2021.
- Fees, salaries, and other employee benefits decreased to \$380,157 in Q4 2022 from \$767,868 in Q4 2021. The decrease is primarily driven by the share-based payments of \$108,098 in Q4 2022 in comparison to \$458,251 in the comparative period which were lower due to the timing of the vesting of incentive share option grants. The decrease also reflects the benefits of the UMS Canada cost sharing structure which allows the Company to reduce its use of shared personnel, and thereby the related costs, in less active periods.
- Mineral property impairment in Q4 2022 decreased to \$nil from \$351,718 due to the termination of the Emilia mineral property option in the prior year comparable quarter. Similarly, in Q4 2021 the Company recorded \$45,882 of costs related to the termination of certain option agreements; no such costs were recorded in the current year period.
- Net gain on equity investments in Q4 2022 was \$22,950 compared to \$nil in Q4 2021 as a result of the Company's equity investments in its associate and joint venture service providers. This is the third quarter that the Company has had ownership in these entities; accordingly, there is no 2021 comparative figure.

#### 4.3 Year ended December 31, 2022 and 2021 (YTD 2022 vs YTD 2021)

During the year ended December 31, 2022, the Company reported a loss of \$7,739,386 compared to a loss of \$17,485,202 for the comparable period in 2021. Significant variances within operating expenses and other expenses, which in combination resulted in \$9,745,816, are consistent with those discussed for the three-month period above. Generally, costs were lower in 2022 compared to 2021 primarily due to:

- Reduced exploration activities in 2022 during which only surface exploration, including the Curibaya CSAMT survey, was conducted as compared to 2021 when the Company completed its inaugural drill program at Curibaya comprised of approximately 5,300 metres.
- Decreased share-based payments in 2022 due to the timing of the Company's initial share option grants in Q2 2021.
- Mineral property impairment in YTD 2022 decreased to \$102,352 from \$2,041,437 in YTD 2021 due to impairments on the Corisur and Emilia claims in the prior period for \$1,689,719 and \$351,718, respectively. In 2022 the Company recognised smaller impairments on the Coastal Batholith and Corisur Claims of \$98,166 and \$4,186, respectively.

#### 4.4 Summary of Quarterly Results

Quarter ended	Interest Income	Net loss	Comprehensive loss	Net loss per share
December 31, 2022	\$ 23,469	\$ 1,592,730	\$ 1,610,414	\$ 0.01
September 30, 2022	15,814	2,175,146	2,094,360	0.02
June 30, 2022	8	1,891,955	1,859,790	0.01
March 31, 2022	-	2,079,555	2,098,818	0.02
December 31, 2021	-	4,992,679	5,015,335	0.04
September 30, 2021	-	5,698,335	5,665,023	0.05
June 30, 2021	-	3,830,214	3,866,342	0.03
March 31, 2021	-	2,963,974	3,007,733	0.03

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During the last eight quarters, the Company's net loss has ranged between \$1,592,730 and \$5,698,335. Quarterly losses are closely correlated to the level of exploration activity in any given quarter, which can fluctuate significantly since the Company substantially reduces activities during the rainy seasons and pending financings. Additionally, the Company incurs expenditure on administrative activities, professional fees, investor relations outreach and communications, and regulatory compliance, all of which are required as a public company to maintain its public listings and to promote the Company's activities in the market. These expenses are controlled by management and fluctuate depending on the funding available to the Company to pursue opportunities in the market.

Costs in Q1 and Q2 2021 were high in relation to the Company's initial listing on the TSXV and OTCQB exchanges. Losses in the second half of 2021 continued to increase in relation to the Curibaya drill program, which commenced late in Q2 2021, and was completed in Q4 2021 with final results analysis being performed in Q1 2022. In Q2 2022, activities were limited while the Company worked to complete the 2022 Private Placement, and once programs were funded and undertaken in Q3 2022, losses again rose due to the increased activity levels. Once programs were complete in Q4 2022 the projects were put into care and maintenance and the work shifted to desktop data analysis and again costs, and resulting loss, dropped off.

In addition to the trends discussed above in relation to the quarterly losses, the Company also recognized impairment charges related to the Huilacollo (Q1 2021), Emilia (Q4 2021) and Coastal Batholith and residual Corisur projects (Q2 2022), resulting in increased losses during those periods.

#### 4.5 Summary of Project Costs

During the year ended December 31, 2022, the Company incurred \$130,138 of mineral property additions and \$3,342,769 in exploration and evaluation costs on its projects. The Company also recorded a mineral property impairment of \$102,352 in relation to the Coastal Batholith and Corisur concessions that were allowed to lapse during the period.

<b>Mineral property interests</b>	<b>Curibaya</b>	<b>Hurricane</b>	<b>Other</b>	<b>Total</b>
Balance as at December 31, 2020	\$ 986,711	\$ -	\$ 2,701,198	\$ 3,687,909
Mineral property additions	29,402	235,267	350,924	615,593
Mineral property impairment	-	-	(2,041,437)	(2,041,437)
Recognition of provision for site reclamation and closure	313,312	-	-	313,312
Currency translation adjustment	(7,374)	349	(21,921)	(28,946)
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 impairment	-	-	(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
<b>Balance as at December 31, 2022</b>	<b>\$ 1,398,690</b>	<b>\$ 368,683</b>	<b>\$ 945,220</b>	<b>\$ 2,712,593</b>

<b>Exploration and evaluation expenditures</b>	<b>Curibaya</b>	<b>Hurricane</b>	<b>Other</b>	<b>Total</b>
Surface exploration	\$ 1,177,302	\$ 295,632	\$ 28,354	\$ 1,501,288
Exploration drilling	14,725	-	-	14,725
Camp and project support	841,258	16,266	244	857,768
Concession holding	188,487	128,482	(48,619)	268,350
Permitting, environmental and community	425,488	131,994	41,468	598,950
Share-based payments	3,584	89,028	9,076	101,688
<b>Total for the year ended December 31, 2022</b>	<b>\$ 2,650,844</b>	<b>\$ 661,402</b>	<b>\$ 30,523</b>	<b>\$ 3,342,769</b>

#### 4.6 Future operations and 2023 expenditure forecast

Future operations will be aimed at further progressing exploration at each of its projects, predominantly Curibaya and Hurricane. For Curibaya, the Company plans to undertake its second drill program of between 2,000 and 5,000 m to test both the Cambaya target area and the recently identified porphyry targets. At Hurricane, the Company plans to conduct additional surface work, including geophysics, mapping and geochemical sampling, to get to a drill ready stage while concurrently progressing the drill permitting process. All 2023 work programs and related expenditures will be subject to raising funds through the sale of common shares and while the Company has been successful at raising capital in the

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past, there can be no assurance that the Company will be able to raise sufficient funds to finance its planned programs and make its required option payments under the Hurricane Option Agreement.

## 5. SELECTED ANNUAL INFORMATION

	December 31, 2022	December 31, 2021	December 31, 2020
Loss for the year	\$ 7,739,386	\$ 17,485,202	\$ 3,272,495
Comprehensive loss for the year	7,663,382	17,554,433	3,396,911
Basic and diluted loss per share	0.06	0.14	0.03
Total assets	5,231,917	6,081,156	6,696,309
Total non-current liabilities	(265,888)	(197,490)	-

The Company is an expenditure-based business and generated no revenues from operations during the years presented above and does not anticipate revenues in the foreseeable future. See Discussion of Operations for factors that have caused the year-to-year variation between YTD 2022 and YTD 2021 in the loss and loss per share data.

## 6. FINANCIAL POSITION, LIQUIDITY, AND CAPITAL RESOURCES

### 6.1 Financial position and liquidity

	December 31, 2022	December 31, 2021
Cash	1,553,349	2,589,858
Amounts receivable	18,100	22,911
Mineral property interests	2,712,593	2,546,431
Other assets	947,875	921,956
Current liabilities	(808,653)	(1,081,658)
Non-current liabilities	(265,888)	(197,490)

During the year ended December 31, 2022, the Company used cash of \$6,937,703 in operating activities compared to \$12,590,743 during the comparative period in 2021. The lower cash outflow in 2022 was primarily the result of lower exploration activities, and more specifically the lack of drilling, in the current period, as discussed above. Additionally, lower exploration activity levels also translated to lower administrative costs which demonstrates the benefits of the UMS Canada cost sharing structure which allows the Company to reduce its use of shared services in less active periods.

During the year ended December 31, 2022, the Company used cash in investing activities of \$131,306 primarily in relation to the advance of the first option payment on the Hurricane project compared to the \$673,167 in 2021 in relation to the acquisition and subsequent scheduled payments on the Emilia option arrangement and the Hurricane acquisition and staking costs, as well as other eligible capitalized costs.

During the year ended December 31, 2022, cash provided by financing activities fell from \$13,123,447 in the prior year to \$6,004,015 due to weakened capital market conditions for junior resource explorers.

At December 31, 2022, the Company had cash of \$1,553,349 and working capital of \$1,499,672 which had decreased from the prior year balances of \$2,589,858 and \$2,295,439. Contractual obligations as at December 31, 2022 and 2021, related to accounts payable and accrued liabilities totalling \$539,806 and \$798,753, respectively. Additionally, the Company has certain commitments related to the premises it occupies on a shared basis under the Universal Mineral Services Ltd. ("UMS Canada") lease obligation disclosed in Note 6 of the consolidated financial statements for the year ended December 31, 2022.

The limited cash reserve at each year end is a result of the cyclical nature of the Company's business thus far. As reflected in its relatively limited operating history, the Company has followed a cycle of raising funds in Q2, completing exploration programs in Q3 and Q4, receiving results in the following Q1 (when activities are suspended due to the rainy season in Peru) and then again raising capital on the basis of those results in Q2. This trend has meant that cash on hand at year end is somewhat depleted while the Company awaits exploration results and looks to commence financing activities.

The Company requires approximately \$3.3 million annually to cover corporate overhead costs in addition to funds required to undertake exploration activities, the amount of which is dependent on the size and extent of the planned program. In the two full years that the Company has operated, spending has fluctuated substantially based on levels of activity and

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as previously mentioned, the Company has the ability to reduce its overhead costs in periods of lower activity by reducing its use of UMS Canada services.

Despite having some ability to limit its expenditures, the Company has incurred operating losses to date and does not generate operating revenue to support its activities. With no source of operating revenue, there can be no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. The ability to continue as a going concern remains dependent upon the Company's ability to obtain the financing necessary to continue 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 a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and expose the Company to liquidity risk being the risk that it will have difficulty in meeting obligations associated with its financial liabilities. While the Company had sufficient cash on hand at December 31, 2022 to discharge its current financial liabilities as they become due, it will require additional funding to continue operations for the upcoming year.

## 6.2 Capital Resources

On August 26, 2022, the Company announced that it had obtained the receipt for its final Shelf Prospectus filed with the securities commissions in each of the provinces and territories of Canada. The Shelf Prospectus is intended to provide the Company with financing flexibility as it allows the Company to qualify the distribution of up to \$100,000,000 of common shares, warrants, subscription receipts, units, debt securities, or any combination thereof, from time to time over the 25-month period that the final Shelf Prospectus remains effective. The specific terms of any future offering of securities (if any) will be set forth in one or more shelf prospectus supplements, each of which will be filed with the applicable Canadian securities regulatory authorities in connection with any such offering. There is no certainty that any securities will be offered or sold under the Shelf Prospectus, a copy of which can be found under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

On June 16, 2022, the Company announced the closing of the 2022 Private Placement for gross proceeds of \$6.18 million through the issuance of 13,736,026 units (each a share and a share purchase warrant). The Company's planned use of the net proceeds from the 2022 Private Placement was to fund continued exploration at the Company's portfolio of mineral projects in Peru, primarily Curibaya, and for general working capital. A reconciliation of the net proceeds and the funds used as of December 31, 2022 is as follows:

	Number of common shares	Proceeds
Units issued at \$0.45 per unit	13,736,026	\$ 6,181,212
Share issuance costs		(177,197)
Net proceeds		\$ 6,004,015
<b>Actual use of proceeds</b>		
Surface exploration at the Curibaya project		<b>1,949,015</b>
Exploration activities at other projects		<b>564,810</b>
General working capital		<b>1,936,841</b>
<b>Funds remaining at December 31, 2022</b>		<b>\$ 1,553,349</b>

On March 2, 2021, the Company completed the 2021 Private Placement by issuing 13,454,463 shares for net proceeds of \$13,123,447, net of fees, costs and commissions. The funds were expected to be used for the first phase of drilling at the Curibaya project, acquisition costs, continued surface exploration at the Company's portfolio of projects, and for general working capital. By December 31, 2022, the Company had used all of the proceeds as detailed in the table below:

<b>Actual Use of Proceeds from 2021 Private Placement</b>	
Drilling and surface exploration at the Curibaya project	\$ 8,276,136
Acquisition costs	408,398
Surface exploration activities at the other projects	765,223
General working capital	3,673,690
Total	\$ 13,123,447

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## 7. OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have off-balance sheet arrangements. Earn-in arrangements are not viewed as off-balance sheet arrangements, and there are no other commitments held by the Company at the balance sheet date other than as disclosed in Note 6 to the consolidated financial statements for the year ended December 31, 2022.

## 8. RELATED PARTY TRANSACTIONS

### 8.1 UMS Canada and Universal Mineral Services Peru

UMS Canada is a shared service provider company in which the Company holds a 25% equity interest, with the remaining 75% balance being shared equally by three other junior resource explorers. UMS Canada provides geological, financial and transactional advisory services as well as administrative services to the Company on a cost recovery basis.

Universal Mineral Services Peru S.A.C. ("UMS Peru") is a company incorporated under Peruvian law, which provides administrative and geological services to Corisur S.A.C and Magma Minerals S.A.C. and to the Peruvian subsidiary of Coppennico Metals Inc, which is one of the three other companies that shares the services of UMS Canada. In order to comply with Peruvian transfer pricing rules, UMS Peru charges its services at cost plus a markup of 5% for administrative services and 7% for geological services.

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

	December 31, 2022	December 31, 2021
Exploration and evaluation	\$ 945,223	\$ 739,728
Project investigation	37,096	23,741
Marketing and investor relations	71,937	80,708
General and administration	1,097,526	963,795
	<b>\$ 2,151,782</b>	<b>\$ 1,807,972</b>

As at December 31, 2022, \$58,068 (December 31, 2021 - \$111,901) was included in accounts payable and accrued liabilities and \$220,000 (December 31, 2021 - \$419,553) in prepaid expenses and deposits relating to transactions with UMS Canada; upon the acquisition of the share of UMS Canada in April 2022, \$150,000 was reclassified to equity investments.

As at December 31, 2022, the Company's prepaid expenses and deposits was \$nil (December 31, 2021 - \$64,879) relating to transactions with UMS Peru.

### 8.2 Key management compensation

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

	December 31, 2022	December 31, 2021
Salary and benefits provided to executives	\$ 718,303	\$ 811,863
Director fees paid to non-executive directors	206,788	216,077
Share-based compensation	575,179	2,106,855
	<b>\$ 1,500,270</b>	<b>\$ 3,134,795</b>

On April 1, 2022, the Company entered into a shared services agreement with UMS Canada. Under the agreement, the Company's Chief Financial Officer and Chief Geologist terminated their direct employment status with the Company, became employed by UMS Canada and entered into part-time secondment employment arrangements between the Company and UMS Canada. On January 30, 2023, Michael Henrichsen resigned from his role as Chief Geologist of the Company.

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### 9. CRITICAL 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 consolidated 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 consolidated financial statements are as follows:

i) Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency to be the Canadian dollar, while the functional currency of its Peruvian subsidiaries is the United States dollar. 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) Financial instruments

Financial instruments are assessed upon initial recognition to determine whether they meet the definition of a financial asset, financial liability or equity instrument depending on the substance of the contractual arrangement. Judgment is required in making this determination as the substance of a transaction may differ from its legal form. Once a determination is made, IFRS requires that financial instruments be measured at fair value on initial recognition. For financial instruments that do not have quoted market prices or observable inputs, judgments are made in determining what are appropriate inputs and assumptions to use in calculating the fair value.

v) 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.

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#### 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, cost increases, 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.

As at December 31, 2022, the Company recognized a provision for site reclamation and closure costs in relation to the site disturbances that have resulted from the 2021 Curibaya drill program. An equal amount was recorded as a reclamation asset within mineral properties.

As at December 31, 2022, the Company also used judgment in determining the best estimate of costs that will be incurred to return the properties under the Huilacollo option agreement to the optionor, including the closure of its environmental permit. A provision for this best estimate has been recorded within the current portion of the provision for site reclamation and closure on the consolidated statements of financial position.

See Note 7 of the Company's consolidated financial statements for the year ended December 31, 2022 in relation to the balances discussed above.

#### iii. Share-based compensation

The Company determines the fair value of share 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 assumption 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.

## 10. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards as they are not applicable to the financial statements.

## 11. FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As at December 31, 2022, the Company's financial instruments consist of cash, amounts receivable, deposits, accounts payables and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The Company's financial instruments are exposed to certain financial risks including liquidity risk, credit risk and market risk, which includes currency risk. Details of the primary risks that the Company is exposed to are laid out in Note 12 of the Company's consolidated financial statements for the year ended December 31, 2022 and 2021.

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### **12. OTHER REQUIRED DISCLOSURES**

#### **12.1 Proposed transactions**

As at December 31, 2022 and as at the date of this MD&A, the Company had no proposed transactions.

#### **12.2 Capital structure**

The capital structure of the Company is as follows:

Authorized: Unlimited number of common shares

Number of common shares issued and outstanding as at December 31, 2022 and March 20, 2023: 139,530,923

As at December 31, 2022, and March 20, 2023, there were 7,195,000 share purchase options and 13,736,026 warrants outstanding.

#### **12.3 Disclosure controls and procedures**

As defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, disclosure controls and procedures require that controls and other procedures be designed to provide reasonable assurance that material information required to be disclosed is duly gathered and reported to senior management in order to permit timely decisions and timely and accurate public disclosure.

Management is responsible for the establishment and maintenance of a system of internal control over financial reporting. This system has been designed to provide reasonable assurance that assets are safeguarded and that the financial reporting is accurate and reliable. The consolidated financial statements for the years ended December 31, 2022, and 2021 have been prepared by management in accordance with IFRS and in accordance with accounting policies set out therein.

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, have evaluated the design of the Company's disclosure controls and procedures and the design of internal controls over financial reporting as required by Canadian securities laws, and have concluded that such procedures are adequate to ensure accurate and complete disclosures in public filings.

There are inherent limitations in all control systems and no disclosure controls and procedures can provide complete assurance that no future errors or fraud will occur. An economically feasible control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com) under Tier One Silver Inc.'s profile.

On behalf of the Board of Directors,

"Peter Dembicki"

**Peter Dembicki**

President, Chief Executive Officer and Director

March 20, 2023