TIER ONE SILVER

(An exploration stage business)

TIER ONE SILVER INC.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Deloitte.

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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, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (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, 2022 and 2021, 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 of $7,739,386 during the year ended December 31, 2022. 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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Investment in Associate — Refer to Note 6 to the financial statements

Key Audit Matter Description

On April 1, 2022, the Company purchased a 25% share interest in a shared-service provider, Universal Mineral Services Ltd. ("UMS Canada") for nominal consideration (the "transaction"). The remaining 75% of UMS Canada is owned equally by Torq Resources Inc., Coppernico Metals Inc. and Fury Gold Mines Limited. The Company further recognized as part of its net investment in UMS Canada, a cash deposit of $150,000 which is held by UMS Canada for the purposes of general working capital, which will only be returned to the Company upon termination of the UMS Canada arrangement. The transaction was accounted for as an investment in associate using the equity method.

A key audit matter has been identified with regards to the appropriate accounting treatment of the transaction.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures to evaluate the appropriateness of management's accounting treatment of the transaction, included the following, among others:

- Reviewed the executed contracts to determine whether all key facts and circumstances were incorporated into management's assessment;
- Analyzed relevant accounting standards, including various aspects of IFRS, conceptual framework and guidance.

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 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.

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 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 David Macdonald.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
March 20, 2023

Tier One Silver Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	As at December 31, 2022	As at December 31, 2021
Assets		
Current assets:		
Cash	**$ 1,553,349**	$ 2,589,858
Amounts receivable	**18,100**	22,911
Prepaid expenses and deposits (Note 4)	**736,876**	764,328
	2,308,325	3,377,097
Non-current assets:		
Prepaid expenses and deposits (Note 4)	**30,988**	100,282
Equity investments (Note 6)	**130,966**	-
Equipment	**49,045**	57,346
Mineral property interests (Note 5)	**2,712,593**	2,546,431
Total assets	**$ 5,231,917**	$ 6,081,156
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 539,806**	$ 798,753
Provision for site reclamation and closure (Note 7)	**268,847**	282,905
	808,653	1,081,658
Non-current liabilities:		
Provision for site reclamation and closure (Note 7)	**265,888**	197,490
Total liabilities	**$ 1,074,541**	$ 1,279,148
Equity:		
Share capital (Note 8)	**$ 27,001,612**	$ 21,103,601
Share option and warrant reserves (Note 9)	**4,141,198**	3,020,459
Accumulated other comprehensive loss	**(117,643)**	(193,647)
Deficit	**(26,867,791)**	(19,128,405)
Total equity	**4,157,376**	4,802,008
Total liabilities and equity	**$ 5,231,917**	$ 6,081,156

Going concern (Note 1(c))

Commitments (Note 6(a))

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, 2022		Year ended December 31, 2021
Operating expenses:				
Exploration and evaluation	**$**	**3,342,769**	$	9,564,662
Fees, salaries and other employee benefits		**2,042,687**		3,200,994
Legal and professional		**335,704**		444,831
Project investigation		**64,521**		122,167
Office and administration		**488,737**		535,759
Marketing and investor relations		**1,262,352**		1,062,401
Regulatory and transfer agent		**116,266**		144,946
Mineral property impairment (Note 5(iii))		**102,352**		2,041,437
Costs related to mineral property option termination		**-**		278,322
		7,755,388		17,395,519
Other expenses (income):				
Foreign exchange loss, net		**3,087**		89,683
Interest income		**(39,291)**		-
Net loss from equity investments (Note 6)		**20,202**		-
Loss for the year	**$**	**7,739,386**	$	17,485,202
Other comprehensive (income) loss:				
Unrealized currency (gain) loss on translation		**(76,004)**		69,231
Comprehensive loss for the year	**$**	**7,663,382**	$	17,554,433
Basic and diluted loss per share	**$**	**0.06**	$	0.14
Basic and diluted weighted average number of shares outstanding		**133,573,439**		123,546,343

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

Tier One Silver Inc.

Consolidated Statements of Changes 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 equity
Balance at December 31, 2020	112,340,434	$	7,980,154	$	-	$	(124,416)	$	(1,643,203)	$	6,212,535
Shares issued pursuant to offering, net of share issue costs (Note 8(b))	13,454,463		13,123,447		-		-		-		13,123,447
Share-based payments (Note 9(a))	-		-		3,020,459		-		-		3,020,459
Other comprehensive loss	-		-		-		(69,231)		-		(69,231)
Loss for the year	-		-		-		-		(17,485,202)		(17,485,202)
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 9(a))	-		-		1,014,735		-		-		1,014,735
Units issued pursuant to offering, net of share issue costs (Note 8(b))	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**

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, 2022	Year ended December 31, 2021
Operating activities:		
Loss for the year	**$ (7,739,386)**	$ (17,485,202)
Non-cash transactions:		
Mineral property impairments	**102,352**	2,041,437
Share-based payments	**1,014,735**	3,020,459
Depreciation	**11,748**	11,199
Net unrealized foreign exchange gain	**(24,543)**	(36,444)
Net loss from equity investments	**20,202**	-
Mineral property option termination	**-**	162,508
Changes in non-cash working capital:		
Amounts receivable	**4,811**	(9,440)
Prepaid expenses and deposits	**(41,370)**	(609,557)
Accounts payable and accrued liabilities	**(286,252)**	314,297
Cash used in operating activities	**(6,937,703)**	(12,590,743)
Investing activities:		
Purchase of equipment	**-**	(57,574)
Mineral property additions	**(130,138)**	(615,593)
Equity investments	**(1,168)**	-
Cash used in investing activities	**(131,306)**	(673,167)
Financing activities:		
Net proceeds from issuance of common shares and warrants	**6,004,015**	13,123,447
Cash provided by financing activities	**6,004,015**	13,123,447
Effect of foreign exchange rate changes on cash	**28,485**	983
Change in cash	**(1,036,509)**	(139,480)
Cash, beginning of the year	**2,589,858**	2,729,338
Cash, end of the year	**$ 1,553,349**	$ 2,589,858

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

1. Business Overview

(a) Corporate information

Tier One Silver Inc. (the "Company" or "Tier One") was incorporated under the British Columbia Business Corporations Act and is listed on the TSX Venture exchange. The Company's common shares trade under the symbol TSLV in Canada and on the OTCQB Venture Market under the US symbol TSLVF. Tier One's head office and principal address is located at 1177 West Hastings Street, Suite 1630, Vancouver, British Columbia, Canada, V6E 2K3.

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

(b) Nature of operations

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

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

As a normal part of the exploration process, Tier One seeks to establish access and use agreements with local communities surrounding its projects. The process of securing such agreements requires achieving local community consensus and can be challenging; however, positive dialogue continues with the communities and management believes that agreements will continue to be maintained and updated, although there can be no certainty at this time about their timing or extent. The Company continues to actively engage with the local communities surrounding its projects and has obtained access rights through community agreements to complete work at both the Curibaya and Hurricane projects.

(c) Going concern

As at December 31, 2022, the Company had net working capital of $1,499,672 (December 31, 2021 - $2,295,439) and incurred a loss of $7,739,386 for the year ended December 31, 2022 (2021 - $17,485,202). 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 on June 16, 2022, closed a non-brokered private placement for gross proceeds of $6.18 million (the "2022 Private Placement" see Note 8(b)), 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 a 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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS include International Accounting Standards ("IAS") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

These financial statements were approved and authorized for issuance on March 20, 2023, by the Board of Directors.

(b) Basis of presentation

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

(c) Basis of consolidation

These financial statements include the financial information of the Company and entities controlled by the Company. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the financial statements from the date control commences until the date control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company. A summary of the Company's subsidiaries included in these financial statements as at December 31, 2022 is as follows:

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

These financial statements include a 50% investment in Universal Mineral Services Peru S.A.C. ("UMS Peru") and a 25% investment in Universal Mineral Services Ltd. ("UMS Canada") (Note 6).

(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 US dollars are denoted as US$.

3. Significant 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) Equipment

Equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Camp and field equipment	5-10 years
Machinery and heavy equipment	5-10 years

(e) 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 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 addition 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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, any change in the fair value of the options, measured immediately before and after the modification, is also 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 reserve until exercised. Upon exercise, shares are issued from treasury and the amount previously recorded in share option and warrant reserve is reclassified to share capital along with any consideration paid.

(l) 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.

(m) 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 primarily include cash, amounts receivable, and deposits.

Fair value through other comprehensive income ("FVTOCI")

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, 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 Company does not have any financial assets classified as FVTOCI.

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings.

Financial assets measured subsequently at FVTPL

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

The Company does not have any financial assets classified as FVTPL.

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 primarily 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.

(n) 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.

(o) 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. 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.

(Expressed in Canadian dollars)

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.

(p) 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.

4. Prepaid expenses and deposits

		December 31, 2022		December 31, 2021
Prepaid expenses and deposits related to:				
Community and surface agreements	**$**	**106,719**	$	198,079
Exploration and evaluation		**24,182**		71,721
General, administration and marketing		**416,963**		164,033
UMS Canada and UMS Peru		**220,000**		430,777
Total prepaid expenses and deposits	**$**	**767,864**	$	864,610
Current portion		**736,876**		764,328
Non-current portion	**$**	**30,988**	$	100,282

(Expressed in Canadian dollars)

The non-current portion of prepaid expenses and deposits relates to a community surface agreement entered into with respect to the Corisur claims (previously referred to as the Huilacollo project). Despite the termination of the Huilacollo option agreement (Note 5iii), the Company retains the rights under the community and surface agreement which expires in 2024. The Company's surface rights agreements with the local communities at the Curibaya and Hurricane projects are in place until May 2023 (Curibaya), August 2023 (Magdalena target area - Hurricane) and December 2023 (San Cipriano and Ñañohuayco target areas - Hurricane).

In accordance with the respective service agreements, the Company makes short-term advances to UMS Canada and UMS Peru in relation to geological and administrative services provided thereunder. Upon the acquisition of the Company's 25% share interest in UMS Canada on April 1, 2022; $150,000 was reclassified from prepaid expenses and deposits to equity investments (Note 6).

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, 2020	$ 986,711	$ -	$2,701,198	$ 3,687,909
Mineral property additions	29,402	235,267	350,924	615,593
Mineral property impairments	-	-	(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 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**

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.

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

ii) Hurricane

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

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

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

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

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

The Company incurred $661,402 of exploration and evaluation expenses on the Hurricane project during the year ended December 31, 2022 (December 31, 2021 - $281,388) and as of December 31, 2022, a total of US$594,966 has been incurred in respect of the US$750,000 work expenditure required by the 1st Anniversary of the Access Date.

iii) Other

Corisur Claims

On April 24, 2021, the Company gave notice to terminate its option to acquire the Huilacollo 1 & 2 concessions thus eliminating any further payments related thereto. As a result, during the year ended December 31, 2021, the Company recorded an impairment of $1,689,719 against the full value of the mineral property interests related to these two concessions. Furthermore, the Company recorded a provision of $180,135 (US$133,000) for final costs relating to the termination of the Huilacollo option agreement which is presented within the current portion of the provision for site reclamation and closure costs on the consolidated statement of financial position as at December 31, 2022.

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. As at December 31, 2022, Tier One continues to hold the rights to the Tacora, Tacora Sur and Andamarca concessions, the costs of which remain on the consolidated statement of financial position within mineral property interests. The Corisur claims 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.

Emilia

On January 12, 2021, the Company entered into an option agreement to acquire 100% of the Emilia project (the “Emilia Option”). On November 9, 2021, the Company made the decision to terminate the Emilia Option and for the year ended December 31, 2021, the Company recorded a full impairment against the value of the mineral properties of $351,718.

Coastal Batholith

Coastal Batholith is a wholly-owned project on the coast of Peru acquired through staking. As at December 31, 2022 the project covers approximately 15,000 ha, after the Company relinquished the remaining claims, and recorded an impairment of $98,166 during the year ended December 31, 2022.

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 expenses of $30,523 during the year ended December 31, 2022 (December 31, 2021 - $712,111).

6. Equity investments

(a) Investment in Associate - UMS Canada

On April 1, 2022, the Company purchased a 25% share interest in a shared-service provider, UMS Canada for nominal consideration. The remaining 75% of UMS Canada is owned equally by three other companies with which the Company shares certain premises and personnel costs, being Coppernico Metals Inc. (“Coppernico”), Torq Resources Inc. and Fury Gold Mines Limited (“Fury Gold”). The Company funded, in addition to its nominal investment in UMS Canada, a cash deposit of $150,000 which is held by UMS Canada for the purposes of general working capital, and which will be returned to the Company upon termination of the UMS Canada arrangement, net of any residual unfulfilled obligations. Prior to 2022, UMS Canada was owned by Ivan Bebek and Shawn Wallace who were directors of Tier One. On December 31, 2021, in anticipation of the reorganization of UMS Canada as a jointly owned cooperative, these two shareholders sold their shares in UMS Canada to fellow director Steven Cook, acting as a placeholder, for nominal consideration and ceased to be directors of UMS Canada. Effective April 1, 2022, UMS Canada was restructured whereby the Company redeemed Mr. Cook’s shares of UMS Canada for nominal consideration and each of the four public companies which share UMS Canada services subscribed for common shares for a total of $1,000 each. Mr. Cook remains the sole director of UMS Canada.

(Expressed in Canadian dollars)

UMS Canada is located in Vancouver, BC and provides geological, financial and transactional advisory services as well as administrative services to the Company and three other companies on a cost recovery basis. Having these services available through UMS Canada on an as needed basis, allows the Company to maintain a more efficient and cost-effective corporate overhead structure by hiring fewer full-time employees and engaging outside professional advisory firms less frequently. The service agreement with UMS Canada has an indefinite term and can be terminated by each participating company upon providing due notice. UMS Canada is party to an office lease agreement with a term of ten years, for which certain rent expenses will be payable by the Company. As of December 31, 2022, the Company expects to incur approximately $1.0 million in respect of future lease rent for the remaining 8.50 years.

(b) Investment in Joint Venture - UMS Peru

On May 1, 2022, the Company and Coppernico, an unlisted reporting issuer, each acquired a 50% ownership of UMS Peru from UMS Canada for nominal consideration. Given that each of Tier One and Coppernico now have joint control over UMS Peru, it is being accounted for as a joint venture.

UMS Peru is a company incorporated under Peruvian law, which provides administrative and geological services to Corisur and Magma and to the Peruvian subsidiary of Coppernico. 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.

(c) Summarized financial information of UMS Canada and UMS Peru

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

For the year ended December 31, 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 period since investment	95,905	(7,548)
Company's share of net loss (income) for the period ended December 31, 2022	**$ 23,976**	**$ (3,774)**

The carrying amounts of the Company's investments in UMS Canada and UMS Peru as at December 31, 2022 were as follows:

		UMS Canada		**UMS Peru**
Acquisition of equity investment	$	151,000	$	168
Company's share of net (loss) income		(23,976)		3,774
Carrying amount as at December 31, 2022	**$**	**127,024**	**$**	**3,942**

(Expressed in Canadian dollars)

The Company's equity interest in net assets and liabilities of UMS Canada and UMS Peru at December 31, 2022, were as follows:

	UMS Canada	UMS Peru
Current assets	$ 878,684	$ 33,320
Non-current assets	2,750,438	162,817
Current liabilities	(1,653,779)	(188,253)
Non-current liabilities	(1,467,250)	-
Net assets 100%	508,093	7,884
Company's equity interest in net assets and liabilities	**$ 127,024**	**$ 3,942**

7. Provision for site reclamation and closure

The Company has recorded a provision for site reclamation and closure at the Curibaya project after commencing drilling in June 2021. 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, 2022, 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, 2022 is $354,600 (December 31, 2021 – $311,778) which is based on the following key assumptions:

- Undiscounted risk-adjusted cash flow for site reclamation of US$282,192 (December 31, 2021 - $245,921);
- Expected timing of future cash flows, based on permit requirements and the estimated life of the project, is between 2023 and 2032 (December 31, 2021 – between 2022 and 2031);
- Projected Peruvian inflation of 3.36% (December 31, 2021 – 0%); and
- Discount rate of 5.45% based on the 10-year Peruvian government bond yield (December 31, 2021 – real discount rate of 0%).

In addition to the Curibaya provision, having terminated the Huilacollo Option, the Company has recorded a provision of $180,135 (December 31, 2021 - $168,617) in the process of undertaking the closure of the environmental and drill permit and returning the Huilacollo concessions to the optionor.

As a monetary liability, the provision is translated to CAD at the closing exchange rate of 1.3544 on December 31, 2022.

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

	December 31, 2022	December 31, 2021
Huilacollo provision for reclamation and closure	**$ 180,135**	$ 168,617
Curibaya provision for site reclamation and closure	**354,600**	311,778
Total provision for site reclamation and closure	**$ 534,735**	$ 480,395
Current balance	**$ 268,847**	$ 282,905
Non-current balance	**$ 265,888**	$ 197,490

(Expressed in Canadian dollars)

8. Share capital

(a) Authorized

Unlimited common shares without par value.

(b) Common share issuances

On June 16, 2022, the Company closed the 2022 Private Placement issuing 13,736,026 units at a price of $0.45 per unit for gross proceeds of $6,181,212. Each unit consisted of a common share and a three-year share purchase warrant, exercisable at $0.75. 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.

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**
Share issuance costs		(177,197)
Proceeds net of share issue costs		6,004,015
Residual value allocated to warrants		(106,004)
Net proceeds	**13,736,026**	**$ 5,898,011**

On March 2, 2021, the Company closed a non-brokered private placement for gross proceeds of $13,454,463 which consisted of 13,454,463 common shares priced at $1.00 per share. Share issuance costs related to the offering totaled $331,016. A reconciliation of the impact of the offering on share capital is as follows:

	Number of common shares	Impact on share capital
Common shares issued at $1.00 per share	13,454,463	$ 13,454,463
Share issuance costs	-	(331,016)
Proceeds net of share issue costs	**13,454,463**	**$ 13,123,447**

9. Share option and warrant reserves

(a) Shared options

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

(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, January 1, 2021	-	$ -
Granted	8,140,000	1.01
Expired	(21,250)	1.00
Forfeited	(148,750)	1.00
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**

As at December 31, 2022, 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	6,870,000	$ 1.00	3.27	5,152,500	$ 1.00	3.27
April 29, 2026	200,000	1.00	3.33	150,000	1.00	3.33
June 22, 2026	125,000	1.44	3.48	93,750	1.44	3.48
	7,195,000	**$ 1.01**	**3.28**	**5,396,250**	**$ 1.01**	**3.28**

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and other service providers. There were no share options granted during the year ended December 31, 2022 (December 31, 2021 – 8,140,000), however, 496,875 unvested share options were forfeited during the twelve-month period and as a result, the Company has reversed the amount of share-based payments previously recorded in relation to those forfeited share options.

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

	Year ended December 31, 2022	Year ended December 31, 2021
Recognized in net loss:		
Exploration and evaluation	$ **101,688**	$ 854,157
Fees, salaries and other employee benefits	**838,885**	1,979,714
Marketing and investor relations	**55,491**	144,029
Project investigation	**18,671**	42,559
	$ **1,014,735**	$ 3,020,459

(Expressed in Canadian dollars)

During the year ended December 31, 2021, the Company granted 8,140,000 share options to directors, officers, employees and other service providers. The weighted average fair value per option of these share options was calculated as $0.55 using the Black-Scholes option valuation model at the grant date with the following weighted average assumptions:

	December 31, 2021
Risk-free interest rate	0.85%
Expected dividend yield	Nil
Share price volatility	69%
Expected forfeiture rate	1.64%
Expected life in years	4.52

The risk-free interest rate assumption is based on the Government of Canada benchmark bond yields and treasury bills with a remaining term that approximates the expected life of the share-based options. Due to the limited historical data for the Company, the expected volatility, expected forfeiture rate, and expected life assumptions took into consideration the historical data for the Company, Fury Gold and that of other peer exploration companies.

(b) Share purchase warrants

As at December 31, 2022, the Company had 13,736,026 share purchase warrants outstanding (December 31, 2021 – nil) which have a term of three years and are exercisable at $0.75. The warrants will expire on June 16, 2025. As discussed in Note 8(b) an amount of $106,004 has been attributed to the warrants and recorded within share option and warrant reserves.

10. 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 years ended December 31, 2022 and 2021, 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.

	Year ended December 31, 2022	Year ended December 30, 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
Total transactions for the year	**$ 2,151,782**	$ 1,807,972

(Expressed in Canadian dollars)

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, $nil (December 31, 2021 - $64,879) was included in prepaid expenses and deposits relating to transactions with UMS Peru.

(b) Key management compensation

In addition to the transactions disclosed above, the Company provided the following compensation to key management members, being its 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
Fees paid to non-executive directors	**206,788**	216,077
Share-based payments	**575,179**	2,106,855
	$ 1,500,270	$ 3,134,795

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 secondment employment arrangements between the Company and UMS Canada.

11. 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, 2022		December 31, 2021
Loss before income taxes	**$**	**(7,739,386)**	$	(17,485,202)
Effective income tax rates		**27%**		27%
Expected income tax recovery		**(2,089,634)**		(4,721,005)
Increase (decrease) in income tax recovery resulting from:				
Change in prior years estimates		**51,417**		239,469
Difference in Peruvian income tax rates		**(84,663)**		(268,501)
Foreign exchange		**(563,108)**		(89,374)
Non-deductible items and other		**58,598**		1,221,677
Increase in unrecognized tax asset		**2,627,390**		3,617,734
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.

(Expressed in Canadian dollars)

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

		December 31, 2022		December 31, 2021
Non-capital losses carried forward	**$**	**6,186,500**	$	2,801,589
Share issuance costs		**111,036**		71,499
Equipment		**6,793**		236
Mineral property interests		**2,529,219**		3,764,511
Provision for site reclamation and closure		**78,288**		91,975
Peruvian VAT receivable		**840,581**		395,217
		9,752,417		7,125,027
Unrecognized deferred tax assets		**(9,752,417)**		(7,125,027)
Net deferred tax balance	**$**	**-**	$	-

(c) Tax losses

As at December 31, 2022, the Company has Canadian non-capital losses of approximately $6,514,572 (December 31, 2021 - $3,538,841) which may be carried forward to reduce taxable income of future years, and which, if unused expire in 2040 through 2042.

The Company indirectly has Peruvian non-capital losses of approximately $15,010,155 (December 31, 2021 - $6,257,974), which may be carried forward to reduce taxable income of future years, and which, if unused, expire 2023 through 2026.

12. 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, 2022 and December 31, 2021 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, 2022, 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, 2022, the Company had sufficient cash on hand to discharge its financial liabilities as they become due but will require additional funding to continue operations for the upcoming year.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet an obligation under contract. Credit risk exposure arises with respect to the Company's cash and amounts receivable. The risk exposure is limited because the Company's cash is held with highly rated financial institutions in interest-bearing accounts and the amounts receivable primarily consist of GST receivable from the Government of Canada.

(c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A summary of the Company's financial instruments that are denominated in US dollars or Peruvian Soles is as follows:

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

		December 31, 2022		December 31, 2021
Financial assets	**$**	**9,094**	$	64,987
Financial liabilities		**(109,500)**		(66,652)
Net exposure	**$**	**(100,406)**	$	(1,665)

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

13. 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.

14. 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.