KUYA SILVER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEAR ENDED DECEMBER 31, 2024

(Expressed in US Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Kuya Silver Corporation

Opinion

We have audited the accompanying consolidated financial statements of Kuya Silver Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that management estimates additional funding will be required to continue current operations and further advance its existing exploration and evaluation assets in the upcoming year. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 5 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was $22,341,683 as of December 31, 2024. As more fully described in Note 3 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

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

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

- Evaluating the reasonableness of management's assessment of indicators of impairment for the E&E assets.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity.
- On a test basis, evaluating title to ensure mineral rights underlying the E&E Assets are in good standing.

Estimate of Reclamation Provisions related to Exploration and Evaluation Assets

As described in Note 5 to the consolidated financial statements, the carrying amount of the Company's reclamation provision was $1,695,352 as of December 31, 2024. As more fully described in Note 3 to the consolidated financial statements, management assesses its provision for restoration, rehabilitation and environmental obligations at the end of each reporting period.

The principal considerations for our determination that the estimate of reclamation provisions is a key audit matter are that estimating the costs of such reclamation activities includes significant judgement such as when the reclamation will take place, the time period required to undertake the reclamation, the extent and costing of reclamation activities, regulatory and legislative changes, inflation and discount rates utilized. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their estimate of the net present value of the reclamation provisions.

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

- Assessing the reasonableness of changes in cost estimates against prior year calculations, and timing of expected reclamation activities.
- Evaluating the mathematical accuracy of the reclamation provision model.
- Evaluating the inflation rate and discount rate utilized in the reclamation provision model.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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 Michael MacLaren.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

April 30, 2025

KUYA SILVER CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in US Dollars)
As at December 31,

		2024		2023
ASSETS				
Current				
Cash	$	765,565	$	2,650,187
Receivables		376,086		206,138
Prepaids and advances		60,818		149,458
Inventories		82,850		-
		1,285,319		3,005,783
Facilities and equipment (Note 4)		97,595		6,798
Exploration and evaluation assets (Note 5)		22,341,683		24,271,490
	$	23,724,597	$	27,284,071
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Notes 6 and 11)	$	1,364,694	$	945,236
Convertible debentures (Note 7)		457,827		-
Flow-through share premium (Note 8)		139,943		48,492
		1,962,464		993,728
Reclamation provision (Note 5)		1,695,352		1,815,709
		3,657,816		2,809,437
SHAREHOLDERS' EQUITY				
Share capital (Note 8)		47,698,391		44,177,779
Reserves (Notes 7, 8, and 9)		(397,841)		1,507,806
Deficit		(27,233,769)		(21,210,951)
		20,066,781		24,474,634
	$	23,724,597	$	27,284,071

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 17)
Subsequent events (Notes 8 and 18)

Approved on behalf of the board by:

/s/ "David Stein"
David Stein, Director

/s/ "Dale Peniuk"
Dale Peniuk, Director

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

KUYA SILVER CORPORATION
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in US Dollars)
For the years ended December 31,

		2024		2023
Revenue				
Revenue from sale of concentrates	$	150,129	$	-
		150,129		-
Property expenses				
Exploration and evaluation expenditures (Notes 5 and 11)		4,110,038		2,518,775
		(4,110,038)		(2,518,775)
Administrative expenses				
Administrative costs		107,372		61,496
Consulting fees		4,135		7,431
Directors' fees (Note 11)		98,493		99,988
Filing fees		30,398		32,593
Management fees		61,323		62,236
Marketing and investor relations		296,313		178,117
Office and miscellaneous		269,914		332,072
Professional fees (Note 11)		318,867		296,402
Share-based compensation (Notes 9 and 11)		299,373		316,925
Shareholder communication		9,831		10,786
Transfer agent		11,366		15,634
Travel		194,243		127,311
Wages and benefits (Note 11)		614,394		686,668
		(2,316,022)		(2,227,659)
Operating loss		(6,275,931)		(4,746,434)
Accretion expense (Notes 5 and 7)		(108,765)		(59,693)
Foreign exchange gain (loss)		(54,886)		13,207
Gain on settlement of accounts payable and accrued liabilities (Note 8)		-		13,440
Interest income		36,003		-
Recognition of flow-through share premium (Note 8)		356,373		242,573
		228,725		209,527
Loss for the year		(6,047,206)		(4,536,907)
Other comprehensive income (loss)				
Item that may be reclassified subsequently to profit and loss				
Foreign currency translation adjustment		(1,788,643)		504,337
Comprehensive loss for the year	$	(7,835,849)	$	(4,032,570)
Loss per common share – basic and diluted	$	(0.06)	$	(0.06)
Weighted average number of common shares outstanding – basic and diluted		100,860,882		71,126,641

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

KUYA SILVER CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in US Dollars)

For the years ended December 31, 2024 and 2023

	Share Capital					
	Number of shares	Amount	Share-based reserves	Foreign currency translation reserves	Deficit	Total
December 31, 2022	58,831,801	$ 37,200,411	$ 2,212,430	$ (992,917)	$ (16,995,363)	$ 21,424,561
Issuance of units for cash (Note 8)	29,166,123	5,875,730	138,331	-	-	6,014,061
Flow-through share premium (Note 8)	-	(175,627)	-	-	-	(175,627)
Share issue costs	-	(299,159)	74,677	-	-	(224,482)
Issuance of common shares on acquisition of exploration and evaluation assets (Notes 5 and 8)	4,369,370	1,057,491	-	-	-	1,057,491
Issuance of common shares on exercise of options (Notes 8 and 9)	200	250	(114)	-	-	136
Issuance of common shares on settlement of accounts payable and accrued liabilities (Note 8)	405,405	94,139	-	-	-	94,139
Issuance of common shares on settlement of restricted share units (Notes 8 and 9)	150,000	65,895	(65,895)	-	-	-
Options forfeited or expired (Note 9)	-	-	(269,307)	-	269,307	-
Warrants expired (Note 8)	-	358,649	(410,661)	-	52,012	-
Share-based compensation (Note 9)	-	-	316,925	-	-	316,925
Foreign currency translation	-	-	-	504,337	-	504,337
Loss for the year	-	-	-	-	(4,536,907)	(4,536,907)
December 31, 2023	92,922,899	$ 44,177,779	$ 1,996,386	$ (488,580)	$ (21,210,951)	$ 24,474,634

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

KUYA SILVER CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (cont'd…)

(Expressed in US Dollars)

For the years ended December 31, 2024 and 2023

	Share Capital		Share-based reserves	Foreign currency translation reserves	Deficit	Total
	Number of shares	Amount				
December 31, 2023	92,922,899	$ 44,177,779	$ 1,996,386	$ (488,580)	$ (21,210,951)	$ 24,474,634
Issuance of units for cash (Note 8)	10,474,991	2,785,306	-	-	-	2,785,306
Flow-through share premium (Note 8)	-	(455,934)	-	-	-	(455,934)
Share issue costs (Note 8)	-	(95,745)	-	-	-	(95,745)
Issuance of common shares for share issue costs (Note 8)	267,907	70,353	-	-	-	70,353
Issuance of common shares on settlement of restricted share units (Notes 8 and 9)	850,000	212,984	(212,984)	-	-	-
Issuance of common shares on conversion of convertible debentures (Notes 7 and 8)	2,005,166	331,787	-	-	-	331,787
Issuance of common shares on exercise of warrants (Note 8)	1,348,432	375,675	(11,123)	-	-	364,552
Debt unit warrants (Note 7)	-	-	128,304	-	-	128,304
Options forfeited or expired (Note 9)	-	-	(22,817)	-	22,817	-
Warrants expired (Note 8)	-	296,186	(297,757)	-	1,571	-
Share-based compensation (Note 9)	-	-	299,373	-	-	299,373
Foreign currency translation	-	-	-	(1,788,643)	-	(1,788,643)
Loss for the year	-	-	-	-	(6,047,206)	(6,047,206)
December 31, 2024	107,869,395	$ 47,698,391	$ 1,879,382	$ (2,277,223)	$ (27,233,769)	$ 20,066,781

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

KUYA SILVER CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US Dollars)
For the years ended December 31,

	2024	2023
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Loss for the year	$ (6,047,206)	$ (4,536,907)
Adjust for items not involving cash:		
Depreciation	1,351	85,672
Accretion expense	108,765	59,693
Share-based compensation	299,373	316,925
Recognition of flow-through share premium	(356,373)	(242,573)
Interest expense	15,963	-
Unrealized foreign exchange gain	(166,578)	(11,397)
Gain on settlement of accounts payable and accrued liabilities	-	(13,440)
Gain on disposal of facilities and equipment	-	(2,477)
Change in non-cash working capital items:		
Receivables	(195,224)	(103,318)
Prepaids and advances	80,727	114,095
Inventories	(86,922)	-
Accounts payable and accrued liabilities	596,500	39,824
Net cash used in operating activities	(5,749,624)	(4,293,903)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Additions to facilities and equipment	(97,170)	-
Disposal of facilities and equipment	-	20,500
Payment for exploration and evaluation assets	-	(100,000)
Net cash used in investing activities	(97,170)	(79,500)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of share capital	3,149,858	6,014,197
Share issue costs	(65,462)	(188,463)
Proceeds from issuance of convertible debentures	1,157,114	-
Debt issue costs	(173,869)	-
Repayment of convertible debentures	(115,711)	-
Net cash provided by financing activities	3,951,930	5,825,734
Change in cash	(1,894,864)	1,452,331
Effect of foreign exchange on cash	10,242	977
Cash, beginning of year	2,650,187	1,196,879
Cash, end of year	$ 765,565	$ 2,650,187

Supplemental cash flow information (Note 12)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Kuya Silver Corporation (the "Company") is a mineral exploration and development company with a focus on acquiring, exploring and advancing precious metal assets in Peru and Canada. During the year ended December 31, 2024, the Company executed on its strategic plans to rehabilitate the Bethania Silver Project in order to move the mine towards development. However, as at December 31, 2024, the Company does not yet consider the project to be in the development phase, as contemplated under IFRS Accounting Standards ("IFRS").

The Company was incorporated on July 15, 2015 under the Business Corporations Act (British Columbia). The Company's head office and principal address is located at 150 King Street West, Suite 200, Toronto, ON, M5J 1J9. The Company's registered and records office is located at 40440 Thunderbird Ridge, Squamish, BC, V8B 0G1. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol KUYA.

These consolidated 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. The Company's continuation as a going concern is dependent upon its ability to complete financings sufficient to meet current and future obligations, the successful results from its business activities, and its ability to operate profitably and generate funds. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. Although the Company raised capital in previous, current, and subsequent (Note 18) reporting periods, through private placements of its common shares and exercise of warrants, additional funding will be required to continue current operations and further advance its existing exploration and evaluation assets in the upcoming 12 months. These factors indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and as included in Part 1 of the CPA Canada Handbook – Accounting and the interpretations of the International Financial Reporting Interpretations Committee.

Approval of the consolidated financial statements

These consolidated financial statements were authorized by the Board of Directors ("Board") of the Company on April 30, 2025.

2. BASIS OF PRESENTATION (cont'd…)

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and certain financial assets that are measured at fair value as explained in the material accounting policies set out in Note 3. Except as described in Note 3, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Functional and presentation currency

The financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, Kuya Silver Corporation, is the Canadian dollar, and the functional currency of each of the Company's subsidiaries is the Canadian dollar. The presentation currency of the Company is the United States ("US") dollar. Canadian dollars are represented by CAD $.

Principles of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities which the Company controls, either directly or indirectly, where control is defined as the power to govern an entity's financial and operating policies and generally accompanies a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that may arise upon the exercise or conversion of non-voting securities are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and they are deconsolidated from the date on which control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

Name of subsidiary	Country of incorporation	Percentage of ownership	Principal activity
CobalTech Mining Inc. ("CobalTech")	Canada	100%	Exploration in Canada
Kuya Silver Inc.	Canada	100%	Holding company
Puno Gold Corporation	Canada	100%	Holding company (inactive)
Minera Toro del Plata S.A.C. ("MTP")	Peru	100%	Exploration in Peru
Kuya Silver S.A.C.	Peru	100%	Holding company
Kuya Servicios Mineros S.A.C.	Peru	100%	Service company
Minera Puno Gold S.A.C.	Peru	100%	Exploration in Peru (inactive)
Kuya Silver Panama, S.A.	Panama	100%	Holding company (inactive)

2. BASIS OF PRESENTATION (cont'd…)

Significant estimates

The preparation of these consolidated financial statements requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Valuation of share-based compensation

The Company uses the Black-Scholes option pricing model for valuation of compensatory options and warrants. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss) and equity reserves.

Estimated reclamation and closure costs

The Company's provision for reclamation and closure cost obligations represents management's best estimate of the present value of the future cash outflows required to settle the liability. The provision reflects estimates of future costs directly attributable to remediating the liability, inflation, movements in foreign exchange rates, and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting future cash outflows. Changes in the factors above can result in a change to the provision recognized by the Company. To the extent the carrying value of the related exploration and evaluation asset is not increased above its recoverable amount, changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amounts of related exploration and evaluation assets.

Fair value of convertible debentures

The Company has convertible debentures which are compound instruments consisting of a debt component and an equity component, which is an area of significant estimation uncertainty. The Company uses a valuation model, which requires significant assumptions and estimates, to estimate the fair value of the various components of the convertible debentures on initial recognition. The fair value of the conversion feature in the convertible debentures is measured using level 3 inputs of the fair value hierarchy.

Provisional pricing of revenue

The amount of revenue reported uses management's best estimates on provisionally priced sales when determining the fair value of the consideration receivable from the sale of concentrate. These estimates are based on the forward selling price for the quotational period stipulated in the contract and the expected quantity of metal at certain tonnes and grade, based on assays available at the time. Changes to the selling price and/or agreed-upon metal can result in changes to the amount recorded as revenue.

2. BASIS OF PRESENTATION (cont'd…)

Significant judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are, but are not limited to, the following:

Carrying value and the recoverability of exploration and evaluation assets

Management has determined that expenditures incurred on exploration and evaluation assets which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities, and existing permits.

Determination of functional currency

The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which each entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment. The Company has determined the functional currency of each entity to be the Canadian dollar. Canadian dollars are represented by CAD $.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

Going concern

The Company has exercised judgment in determining whether its available funds are sufficient to continue operations for 12 months from the end of the reporting period.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Development phase

The Company has exercised judgment in determining if the Bethania Silver Project has transitioned from the exploration and evaluation phase to the development phase. Factors in determining the phase for the Bethania Silver Project at December 31, 2024 include assessment of the economic viability, environmental impact, and results of feasibility, geoscience, and engineering studies. Due to delays experienced in receiving explosives and lack of working capital to fund underground development in the second half of 2024, the progress to restart the mine was slower than expected.

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

The Company's financial assets consist of cash and receivables and are classified as amortized cost.

Financial liabilities

Financial liabilities are designated as: FVTPL; or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

The Company's financial liabilities consist of accounts payable and accrued liabilities and convertible debentures, which are classified as amortized cost.

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd…)

Financial instruments (cont'd…)

Impairment of financial assets

An expected credit loss ("ECL") impairment model applies to financial assets classified and measured at amortized cost and contract assets and debt investments classified and measured at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the financial asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the assets, discounted at the assets' original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Inventories

Inventories include production costs allocated to each of mineral concentrates, stockpiled ore, and metals in process, which are valued at the lower of average production cost and estimated net realizable value. Production costs include direct mining costs, direct labor costs, direct material costs, mine overhead and, once commercial production is declared, depreciation, depletion, and amortization. Inventories also include materials and supplies valued at the lower of weighted average costs or net realizable value.

If the carrying value exceeds the net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused the write-down no longer exist, to the extent that the inventory remains unsold. Net realizable value is calculated as the estimated price at the time of sale based on prevailing metal prices less estimated future costs to convert the inventory into a saleable form and the estimated selling costs.

Construction in progress

Expenditures for construction of facilities and equipment are capitalized and classified as construction in progress. Once completed, the costs associated with all applicable assets related to the development and construction are reclassified to the appropriate category within facilities and equipment.

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd…)

Facilities and equipment

Facilities and equipment are stated at cost less accumulated depreciation. Depreciation is provided for using the straight-line method over the expected lives of the facilities and equipment as follows:

Facilities and leasehold improvements	28 months
Field equipment	10 years
Vehicles	5 years

Exploration and evaluation assets

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Exploration and evaluation costs on exploration and evaluation assets are recognized in profit or loss. Costs incurred before the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss. All costs related to the acquisition of exploration and evaluation assets are capitalized on a project by project basis. Amounts received for the sale of exploration and evaluation assets, for option payments and for exploration advances are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. Costs for a producing property will be amortized on a unit-of-production method based on the estimated life of the mineral reserves and mineral resources. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation asset costs or recoveries when the payments are made or received. When the option payments received exceed the carrying value of the related exploration and evaluation asset then the excess is recognized in profit or loss in the period the option receipt is recognized. Option receipts in the form of marketable securities are recorded at the quoted market price at the time the securities are received.

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the rehabilitation of exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with rehabilitation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized rehabilitation costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd…)

Rehabilitation provisions (cont'd…)

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

Impairment of long-lived assets

At the end of each reporting period, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

Where a previously recognized impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized in profit or loss.

Convertible debentures

The convertible debentures are a non-derivative financial instrument that creates a financial liability of the entity and grants an option to the holder of the instrument to convert it into common shares of the Company. The liability component is recorded at the fair value of a similar liability that does not have a conversion option. The debt contains an embedded prepayment feature, which is closely related, and has been presented with the host debt. The convertible debentures include a conversion option, which, upon conversion, would result in a variable amount of common shares of the Company being issued. This is a derivative which will be valued at $nil as the convertible debentures are convertible at market price. The convertible debenture units were issued with a detachable warrant; therefore, the Company considered the aggregate of the debt and warrants issued at fair value, and allocated the equity amounts to the equity warrant component. Total transaction costs directly attributable to the offerings are allocated proportionately to the liability and equity components of the debentures.

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd…)

Convertible debentures (cont'd…)

Subsequent to initial recognition, the liability component of the debentures is measured at amortized cost using the effective interest method and is accreted each period, such that the carrying value will equal the principal amount outstanding at maturity. The equity components are not re-measured. The carrying amounts of the liability and conversion feature of the debentures are reclassified to share capital on conversion to common shares. The carrying amount of the share purchase warrants, plus cash received upon exercise, is allocated to share capital on exercise of the share purchase warrants. When warrants expire unexercised, the value previously recorded in reserves is allocated to deficit.

Share capital

Common shares

Common shares are classified as shareholders' equity. Incremental costs, net of tax effects, directly attributable to the issue of common shares are recognized as deductions from shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

When warrants expire unexercised, the value previously recorded in reserves is transferred to share capital, except where the original charge was to profit or loss, then it is allocated to deficit.

Preferred shares

Preferred shares are classified as shareholders' equity if they are non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Discretionary dividends declared thereon are recognized as distributions within equity.

Preferred shares are classified as a financial liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognized as interest expense in profit or loss unless the interest expense meets the criteria for capitalization to the cost of an asset.

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd…)

Share capital (cont'd…)

Flow-through common shares

The Company may, from time to time, issue flow-through common shares (as defined in the *Income Tax Act* (Canada)) to finance a portion of its Canadian exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying exploration expenditures to investors. On issuance, the Company bifurcates the proceeds received from flow-through common shares into: a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a liability, and share capital. The Company estimates the portion of the proceeds attributable to the premium as being the excess of the subscription price over the fair value of the shares without the flow-through feature at the time of issuance. Thereafter, as qualifying exploration expenditures are incurred, the flow-through share premium is amortized to profit or loss on a pro-rata basis.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued and recorded to profit or loss.

Share-based payments

The Company accounts for all grants of share-based payment awards to directors, officers, employees, consultants, and advisors in accordance with the fair value method for accounting for share-based payments. The fair value of options is calculated using the Black-Scholes option pricing model. Share-based payment awards to consultants and advisors, who are not providing similar services as employees, are measured at the grant date by using the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured and are recorded at the date the goods or services are received.

Compensation expense for share-based payments is recognized immediately for past services and pro-rata for future services over the vesting period of the share-based payment. A corresponding increase in reserves is recorded when share-based payments are expensed. When share-based payment awards are exercised, share capital is credited by the sum of the consideration paid and the related portion of share-based payments previously recorded in reserves. When share-based payment awards expire unexercised or are forfeited, the related portion of share-based payments previously recorded in reserves are transferred to deficit.

The Company determines the fair value of the restricted share units ("RSUs") and performance share units ("PSUs") on the date of grant. This fair value is charged to profit or loss over the vesting period of the RSUs or PSUs, with a corresponding credit to reserves if equity-settled. If the RSUs or PSUs are cash-settled and recorded as an obligation, the obligation is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in share-based compensation expense in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd…)

Revenue

Revenue associated with the sale of concentrate is recognized when control of the asset sold is transferred to the customer at the customer's location and complies with all contractually agreed upon conditions such as particle size and be free from harmful impurities. Once accepted and tested at the buyer's location all risks and rewards transfer to the customer. The Company's sales contracts with third-party buyers provide for a provisional payment based upon provisional assays (tonnes and grade) and quoted metal prices. Final settlement is based on applicable commodity prices set on specified quotational periods as determined in the contract after the concentrate has arrived at the customer's smelter and agreed quantities of metals. The final price is based upon average individual metal prices over the quotation period and agreed tonnes and grade. Revenue on provisionally priced sales is recognized based on estimates of the fair value of the consideration receivable based on forward market prices and estimated quantities. Adjustments on final settlements are recorded in the period of settlement.

Income taxes

Current income tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to income tax payable with regard to previous years. Management periodically evaluates positions taken in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is generally provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd…)

Income (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share are calculated by dividing the income (loss) attributable to common shares of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed conversion of the convertible debentures and exercise of stock options and warrants and, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods and by assuming that outstanding convertible debentures were converted at the beginning of the period as per the terms of the debentures. Any changes in income or expense resulting from the conversion will be adjusted to profit or loss, as applicable. In periods where there is a loss, diluted loss per share is equal to basic loss per share, as the effect would be anti-dilutive. There was no dilutive effect for the years presented.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Non-monetary items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Revenues and expenses are translated at average exchange rates for the period, except for depreciation and amortization, which is translated on the same basis as the related asset. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the period.

The financial statements of entities that have a functional currency different from that of the Company are translated into Canadian dollars as follows: assets and liabilities at the closing exchange rate at the date of the statement of financial position, and income and expenses at the average exchange rate for the period (as this is considered a reasonable approximation to actual exchange rates). All resulting changes are recognized in other comprehensive income as currency translation differences and taken into a separate component of equity. When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses in accumulated other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses in accumulated other comprehensive income related to the subsidiaries are reallocated between controlling and non-controlling interests.

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd…)

Foreign currency translation (cont'd…)

The translation of the consolidated financial statements to the presentation currency is as follows: assets and liabilities are translated at the exchange rate prevailing at the statement of financial position date and revenue and expenses are translated at average exchange rates for the period, with all resulting exchange differences recognised in other comprehensive income.

Changes to accounting policies

The following amendments to existing standards have been adopted by the Company commencing January 1, 2024:

IAS 1, Presentation of Financial Statements

The amendments clarify the requirements for classifying liabilities as current or non-current. The amendments provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. The adoption of these amendments did not materially impact the consolidated financial statements of the Company.

New standards, interpretations and amendments to existing standards not yet effective

A number of new standards and amendments to standards and interpretations have been issued by the IASB and are effective for annual periods beginning on or after January 1, 2025 which have not been applied in preparing these consolidated financial statements as they are not yet effective. The standards and amendments to standards that would be applicable to the consolidated financial statements of the Company are the following:

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 - Presentation of Financial Statements; many of the existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its operating profit or loss. The standard is effective for reporting periods beginning on or after January 1, 2027, including for interim financial statements. Retrospective application is required and early application is permitted. The Company is currently assessing the impact of this new accounting standard on its financial statements.

(Expressed in US Dollars)

4. FACILITIES AND EQUIPMENT

	Construction in progress	Facilities and leasehold improvements	Vehicles	Field equipment	Total
COST					
December 31, 2022	$ -	$ 235,280	$ 25,750	$ 11,093	$ 272,123
Disposals	-	-	(25,750)	-	(25,750)
Adjustment on currency translation	-	5,221	-	246	5,467
December 31, 2023	-	240,501	-	11,339	251,840
Additions	97,170	-	-	-	97,170
Transfer	(97,170)	97,170	-	-	-
Adjustment on currency translation	-	(23,373)	-	(887)	(24,260)
December 31, 2024	**$ -**	**$ 314,298**	**$ -**	**$ 10,452**	**$ 324,750**
ACCUMULATED DEPRECIATION					
December 31, 2022	$ -	$ 151,250	$ 7,727	$ 3,076	$ 162,053
Disposals	-	-	(7,727)	-	(7,727)
Depreciation	-	84,301	-	1,371	85,672
Adjustment on currency translation	-	4,950	-	94	5,044
December 31, 2023	-	240,501	-	4,541	245,042
Depreciation	-	-	-	1,351	1,351
Adjustment on currency translation	-	(18,820)	-	(418)	(19,238)
December 31, 2024	$ **-**	**$ 221,681**	**$ -**	**$ 5,474**	**$ 227,155**
NET BOOK VALUE					
December 31, 2023	$ -	$ -	$ -	$ 6,798	$ 6,798
December 31, 2024	**$ -**	**$ 92,617**	**$ -**	**$ 4,978**	**$ 97,595**

Construction in progress expenditures during the year ended December 31, 2024 was related to capital costs incurred in connection with constructing a building for explosives at Bethania (Note 5). No depreciation is recorded on assets under construction. During the year ended December 31, 2024, the Company disposed of vehicles for proceeds of $nil (2023 - $20,500). The resulting gain of $nil (2023 - $2,477) is included in operations and supplies in exploration and evaluation expenditures. Deprecation of facilities and equipment is included in operations and supplies in exploration and evaluation expenditures.

(Expressed in US Dollars)

5. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets include assets in Peru and in Canada.

Project	Bethania Silver Project	Silver Kings Project	Total
December 31, 2022	$ 17,117,026	$ 5,708,695	$ 22,825,721
Issuance of common shares	-	1,057,491	1,057,491
Reclamation provision adjustment	-	(139,970)	(139,970)
Adjustment on currency translation	379,899	148,349	528,248
December 31, 2023	17,496,925	6,774,565	24,271,490
Reclamation provision adjustment	-	(30,486)	(30,486)
Adjustment on currency translation	(1,369,190)	(530,131)	(1,899,321)
December 31, 2024	**$ 16,127,735**	**$ 6,213,948**	**$ 22,341,683**

Bethania Silver Project, Peru

The Company's Bethania Silver Project consists of three properties in the same area of interest, Bethania, Carmelitas, and Tres Banderas.

<u>Bethania</u>

In fiscal 2020, the Company completed the acquisition of MTP, whose principal asset is its interest in Bethania.

As at December 31, 2024, the Company has recorded a reclamation provision in the amount of $49,568 (2023 - $51,811) as an estimate for potential future reclamation and rehabilitation obligations at Bethania, based on activities to date. The estimated costs to be incurred have been adjusted for inflation of 2% (2023 - 2%) and then discounted using current market-based pre-tax discount rate of 5% (2023 - 5%).

<u>Carmelitas</u>

In fiscal 2021, subsequently amended in fiscal 2022, the Company entered into agreements to acquire mining concessions located in the district of Acobambilla, department of Huancavelica, Peru, west of Bethania, known as the Carmelitas concessions. The Company completed the acquisition for a total purchase price of $952,500, which consisted of making cash payments totalling $552,500 and issuing 1,084,490 common shares, valued at $399,910. The final payment of $100,000 was paid in fiscal 2023.

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Bethania Silver Project, Peru (cont'd…)

Tres Banderas

The Company has contiguous mining concessions principally located in the district of Acobambilla, department of Huancavelica, Peru, surrounding the Bethania property, known as the Tres Banderas Concessions.

Silver Kings Project, Canada

The Company's Silver Kings Project is located in the Cobalt district of northeastern Ontario, Canada. Historically the Company referred to groups of properties as different projects including the Kerr Project and Silver Kings Joint Venture, due to different ownership interests; however, all these claims have now been consolidated under the 100%-owned (subject to a 2% royalty on net smelter returns on certain claims) Silver Kings Project.

Kerr Project

On February 26, 2021, the Company entered into a share purchase and option agreement (the "Purchase Agreement") with Electra Battery Metals Corporation ("Electra", formerly known as First Cobalt Corp.), a Canadian public company that owned certain silver mineral exploration assets (the "Kerr Assets"), located in the Cobalt, Ontario region.

As at December 31, 2024, the Company has recorded a reclamation provision in the amount of $1,645,784 (2023 - $1,763,898) as an estimate for potential future reclamation and rehabilitation obligations on the Kerr Assets, based on the historical activities on the project to date. The estimated costs to be incurred have been adjusted for inflation of 2% (2023 - 2%) and then discounted using current market-based pre-tax discount rate of 3.07% (2023 - 3.10%). During the year ended December 31, 2024, the Company recorded a change in estimate related to the reclamation provision of $30,486 (2023 - $139,970), which was recorded as a decrease to exploration and evaluation assets. During the year ended December 31, 2024, the Company recorded accretion related to the reclamation provision of $52,881 (2023 - $59,693), which was recorded as an increase to the reclamation provision on the statement of financial position, with an offsetting amount to accretion expense in profit and loss.

Silver Kings (formerly Silver Kings Joint Venture)

The Purchase Agreement with Electra also provided the Company with an option (the "Option") to acquire up to a 70% interest in Electra's remaining silver mineral assets (the "Remaining Assets") in the Cobalt, Ontario area and to form a joint venture. To fully exercise the Option, the Company was required to make cash payments totaling CAD $2,000,000 and complete work commitments of CAD $4,000,000 on or before September 1, 2024. The Purchase Agreement provided that the Company may issue an equivalent value in common shares of the Company at the 20-day volume-weighted average price in lieu of making the cash payments. In fiscal 2021, the Company issued 671,141 common shares to Electra, valued at $771,916 (CAD $973,154), in lieu of a CAD $1,000,000 cash payment, under the Option.

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Silver Kings Project, Canada (cont'd…)

Silver Kings (formerly Silver Kings Joint Venture) (cont'd…)

In fiscal 2022, the Company and Electra amended the Purchase Agreement and Option to provide the Company with the right to acquire 100% of the Remaining Assets. To fully exercise the amended Option, the Company was required to make an additional cash payment of CAD $1,000,000 by January 31, 2023. In fiscal 2023, the Company issued 2,702,703 common shares to Electra, valued at $627,594 (CAD $837,838), in lieu of the CAD $1,000,000 cash payment, under the Option and acquired 100% of the Remaining Assets. The Company granted a 2% royalty on net smelter returns from commercial production on the Remaining Assets to Electra.

In fiscal 2023, the Company entered into a settlement agreement with Canadian Silver Hunter Inc. ("CSH") and Cobalt Projects International Corp. (a subsidiary of Electra, "CPIC"), which settles a dispute (the "Dispute") between CSH and CPIC regarding certain mineral properties previously optioned by CPIC from CSH. The Dispute was transferred to the Company upon the Silver Kings Joint Venture amended Purchase Agreement and Option. To settle the Dispute and acquire CSH's interest in the mineral properties, the Company issued 1,666,667 common shares to CSH, valued at $429,897 (CAD $591,667), and obtained a 100% interest in the mineral properties associated with the Dispute. In connection with settling the Dispute, the Company also entered into an agreement with CSH granting CSH a 2% royalty on net smelter returns from commercial production on the related mineral properties.

Sunrise Claims

Starting in fiscal 2021, the Company acquired, primarily through claim-staking, additional mining claims in the Cobalt mining district. These claims are collectively referred to as the Sunrise Claims.

(Expressed in US Dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Exploration and evaluation expenditures

Exploration and evaluation expenditures for the year ended December 31, 2024 are as follows:

Project	Bethania Silver Project	Silver Kings Project	Total
Civil works and engineering	$ 76,900	$ 138,790	$ 215,690
Geology and drilling	1,808	989,031	990,839
Mine rehabilitation	1,497,546	-	1,497,546
Operations and supplies	285,180[(1)]	122,197	407,377
Property maintenance, licences and rights	14,019	42,950	56,969
Safety and environment	713	42,690	43,403
Value-added tax	213,652	-	213,652
Wages and benefits	330,066	354,496	684,562
Total	$ 2,419,884	$ 1,690,154	$ 4,110,038

[(1)] included in this amount are costs associated with revenue from sale of concentrates

Exploration and evaluation expenditures for year ended December 31, 2023 are as follows:

Project	Bethania Silver Project	Silver Kings Project	Total
Civil works and engineering	$ 77,605	$ 210,574	$ 288,179
Geology and drilling	22,995	1,021,236	1,044,231
Operations and supplies	198,852	146,287	345,139
Property maintenance, licences and rights	36,673	54,976	91,649
Safety and environment	71,003	4,829	75,832
Value-added tax	93,144	-	93,144
Wages and benefits	213,279	367,322	580,601
Total	$ 713,551	$ 1,805,224	$ 2,518,775

(Expressed in US Dollars)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2024	December 31, 2023
Accounts payable	$ 1,302,417	$ 888,100
Accrued liabilities	62,277	57,136
	$ 1,364,694	$ 945,236

7. CONVERTIBLE DEBENTURES

	Liability component	Equity warrants	Total
December 31, 2022 and December 31, 2023	$ -	$ -	$ -
Additions	1,006,273	150,841	1,157,114
Issue costs	(151,332)	(22,537)	(173,869)
Payments	(115,711)	-	(115,711)
Accretion	55,884	-	55,884
Interest	15,963	-	15,963
Conversion of principal and interest	(331,787)	-	(331,787)
Adjustment on currency translation	(21,463)	-	(21,463)
December 31, 2024	**$ 457,827**	**$ 128,304**	**$ 586,131**

On October 9, 2024, the Company closed a convertible financing agreement. Under the terms of the agreement, the Company issued a unit, which is comprised of a secured convertible debenture of the Company with a face value of CAD $1,111,111 and 959,609 common share purchase warrants. The Company received cash proceeds of CAD $1,111,111 ($811,622) and immediately made a repayment of CAD $111,111 ($81,162). Each warrant entitles the holder to acquire one common share of the Company at a price of CAD $0.435 per common share until April 9, 2027. The convertible debenture has a maturity date of January 9, 2026, a stated interest rate of 8%, and is secured against the shares of Kuya Silver Inc., the subsidiary that holds the Company's interests in Peru. At the option of the investor, the principal amount of the debenture, in whole or part, is convertible into common shares of the Company at a conversion price equal to the closing price of the common shares on the CSE on the day prior to the date of conversion. Upon conversion, the interest on the amount converted will be calculated as though the amount converted was outstanding for the entire fiscal quarter in which the conversion took place. At the option of the Company, the accrued interest may be converted into common shares of the Company at the same price. While the Company may elect to pay any interest payments in cash, regular interest owed at the end of each quarter may be converted into common shares at a conversion price equal to the closing price of the common shares on the CSE on the last trading day in each of the Company's fiscal quarters. The Company paid fees and closing costs of CAD $181,268 ($132,409) in connection with this financing.

7. CONVERTIBLE DEBENTURES (cont'd…)

The convertible debenture was valued initially by measuring the fair value of the liability component using a 15% discount rate and the warrant value was calculated using the Black-Scholes option pricing model assuming a life expectancy of two and one half years, a risk-free interest rate of 3.22%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 89%.

On December 5, 2024, the Company exercised its option to have the investor subscribe for an additional unit. The Company issued a unit, which is comprised of a secured convertible debenture of the Company with a face value of CAD $485,000 and 560,595 common share purchase warrants. The Company received cash proceeds of CAD $485,000 ($345,492) and immediately made a repayment of CAD $48,500 ($34,549). Each warrant entitles the holder to acquire one common share of the Company at a price of CAD $0.37 per common share until June 5, 2027. The convertible debenture has a maturity date of March 5, 2026. All other terms and conditions are the same as the October 9, 2024 convertible debenture. The Company paid fees and closing costs of CAD $58,200 ($41,460) in connection with this financing.

The additional convertible debenture was valued initially by measuring the fair value of the liability component using a 15% discount rate and the warrant value was calculated using the Black-Scholes option pricing model assuming a life expectancy of two and one half years, a risk-free interest rate of 3.02%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 88%.

During the year ended December 31, 2024, the Company issued 2,005,166 common shares (2023 - nil), valued at $331,787, for the conversion of CAD $600,000 of convertible debenture principal (2023 - CAD $nil) and CAD $21,865 (2023 - CAD $nil) of interest. Total interest expense, included in office and miscellaneous expense, on the convertible debentures for the year ended December 31, 2024 was $15,963 (2023 - $nil).

8. SHARE CAPITAL

Authorized share capital

The Company's authorized capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. As at December 31, 2024, the Company had not issued any preferred shares.

Issued share capital

During the year ended December 31, 2023, the Company issued:

a) 6,686,888 units at a price of CAD $0.27 per unit by way of a non-brokered private placement that closed in two tranches, for total proceeds of $1,340,132 (CAD $1,805,460). Each unit consisted of one common share and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of CAD $0.50 per common share for a period of two years from the date of issue. The 3,343,444 warrants were valued at $nil, calculated using the residual value method. The Company paid a total of $21,185 for finders' fees and issued 105,644 finders' warrants in connection with this private placement. Each finder's warrant entitles the holder to acquire one common share at a price of CAD $0.50 per common share for a period of two years from the date of issue. The finders' warrants were valued at $21,396, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 3.73%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 88%;

b) 2,920,219 units at a price of CAD $0.44 per unit by way of a non-brokered private placement for total proceeds of $975,550 (CAD $1,284,896). Each unit consisted of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each whole warrant entitles the holder to acquire one non-flow-through common share at a price of CAD $0.60 per common share for a period of one and one half years from the date of issue. The flow-through shares were issued at a premium of $133,029. The 1,460,109 warrants were valued at $nil, using the residual value method. The Company paid a total of $52,521 for finders' fees and issued 157,213 finders' warrants in connection with this private placement. Each finder's warrant entitles the holder to acquire one non-flow-through common share at a price of CAD $0.44 per common share for a period of one and one half years from the date of issue. The finders' warrants were valued at $19,133, calculated using the Black-Scholes option pricing model assuming a life expectancy of one and one half years, a risk-free interest rate of 4.62%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 96%;

8. SHARE CAPITAL (cont'd…)

Issued share capital (cont'd…)

c) 2,781,300 units at a price of CAD $0.27 per unit by way of a non-brokered private placement that closed in two tranches, for total proceeds of $554,066 (CAD $750,951). Each unit consisted of one common share and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of CAD $0.50 per common share for a period of two years from the date of issue. The 1,390,650 warrants were valued at $30,781, calculated using the residual value method. The Company paid a total of $11,190 for finders' fees and issued 56,100 finders' warrants in connection with this private placement. Each finder's warrant entitles the holder to acquire one common share at a price of CAD $0.50 per common share for a period of two years from the date of issue. The finders' warrants were valued at $3,613, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 4.72%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 93%;

d) 15,169,716 units at a price of CAD $0.25 per unit by way of a non-brokered private placement that closed in two tranches, for total proceeds of $2,803,532 (CAD $3,792,429). Each unit consisted of one common share and one transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of CAD $0.37 per common share for a period of two years from the date of issue. The 15,169,716 warrants were valued at $107,550, calculated using the residual value method. The Company paid a total of $119,139 for finders' fees and issued 434,940 finders' warrants in connection with this private placement. Each finder's warrant entitles the holder to acquire one common share at a price of CAD $0.25 per common share for a period of two years from the date of issue. The finders' warrants were valued at $30,535, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 4.14%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 93%;

e) 1,608,000 units at a price of CAD $0.28 per unit by way of a non-brokered private placement for total proceeds of $340,781 (CAD $450,240). Each unit consisted of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each whole warrant entitles the holder to acquire one non-flow-through common share at a price of CAD $0.37 per common share for a period of two years from the date of issue. The flow-through shares were issued at a premium of $42,598. The 804,000 warrants were valued at $nil, calculated using the residual value method. The Company paid a total of $20,447 for fees;

f) 2,702,703 common shares, valued at $627,594, pursuant to the amended Option on the Silver Kings Project (Note 5);

g) 1,666,667 common shares, valued at $429,897, pursuant to the Dispute on the Silver Kings Project (Note 5);

h) 200 common shares, for proceeds of $136, on the exercise of options;

i) 405,405 common shares, valued at $94,139, on settlement of CAD $150,000, recorded in accounts payable and accrued liabilities, which resulted in a gain of $13,440, recorded as a gain on settlement of accounts payable and accrued liabilities; and

j) 150,000 common shares, valued at $65,895, for settlement of vested restricted share units ("RSUs").

(Expressed in US Dollars)

8. SHARE CAPITAL (cont'd…)

Issued share capital (cont'd…)

During the year ended December 31, 2024, the Company issued:

a) 5,266,324 units at a price of CAD $0.25 per unit by way of a non-brokered private placement, for total proceeds of $961,570 (CAD $1,316,581). Each unit consisted of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of CAD $0.37 per common share for a period of two years from the date of issue. The 5,266,324 warrants were valued at $nil, calculated using the residual value method;
b) 5,208,667 units at a price of CAD $0.48 per unit by way of a non-brokered private placement for total proceeds of $1,823,736 (CAD $2,500,160). Each unit consisted of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each whole warrant entitles the holder to acquire one non-flow-through common share at a price of CAD $0.64 per common share for a period of two years from the date of issue. The flow-through shares were issued at a premium of $455,934. The 2,604,333 warrants were valued at $nil, using the residual value method. The Company paid a total of $25,392 for finders' fees and issued 267,907 non-flow-through common shares to a finder in connection with this private placement. The finder's common shares were valued at $70,353;
c) 1,348,432 common shares, for proceeds of $364,552, on the exercise of warrants;
d) 850,000 common shares, valued at $212,984, for settlement of vested RSUs (Note 9); and
e) 2,005,166 common shares, valued at $469,616, for settlement of converted convertible debentures and interest (Note 7).

Flow-through share premium

The flow-through share premium consists of the excess of the subscription price of the flow-through shares over the fair value of the shares without the flow-through feature at the time of issuance, which is recognized in profit or loss, on a pro-rata basis, as the flow-through share funds are spent on qualifying exploration expenditures.

		Total
Balance as at December 31, 2022	$	118,269
Flow-through share premium additions		175,627
Recognition of flow-through share premium		(242,573)
Adjustment on currency translation		(2,831)
Balance as at December 31, 2023		48,492
Flow-through share premium additions		455,934
Recognition of flow-through share premium		(356,373)
Adjustment on currency translation		(8,110)
Balance as at December 31, 2024	**$**	**139,943**

As at December 31, 2024, the flow-through share premium balance relates to the CAD $804,465 ($559,772) of remaining flow-through funds to be incurred (Note 17).

(Expressed in US Dollars)

8. SHARE CAPITAL (cont'd…)

Share purchase warrants

During the year ended December 31, 2024, 1,348,432 (2023 - nil) share purchase warrants were exercised; accordingly, the $11,123 (2023 - $nil) fair value associated with the warrants exercised was reclassified from reserves to share capital.

During the year ended December 31, 2024, 837,446 (2023 - 2,871,325) share purchase warrants expired unexercised; accordingly, the $297,757 (2023 - $409,257) issue-date fair value associated with the warrants was reclassified as follows: $296,186 (2023 - $357,245) was reclassified from reserves to share capital for warrants associated with private placements; and $1,571 (2023 - $52,012) was reclassified from reserves to deficit for warrants associated with settlement of debt (2023 – warrants associated with loans payable).

The continuity of share purchase warrants of the Company was as follows:

	Number of warrants		Weighted average exercise price (in CAD)
Balance as at December 31, 2022	14,005,188	$	1.03
Issued	22,921,816		0.41
Expired	(2,871,325)		2.27
Balance as at December 31, 2023	**34,055,679**		**0.51**
Issued	9,390,861		0.45
Exercised	(1,348,432)		0.37
Expired	(837,446)		0.82
Balance as at December 31, 2024	**41,260,662**	**$**	**0.49**

(Expressed in US Dollars)

8. SHARE CAPITAL (cont'd…)

Share purchase warrants (cont'd…)

As at December 31, 2024, the Company had outstanding share purchase warrants enabling the holder to acquire common shares as follows:

Number of share purchase warrants		Exercise price (in CAD)	Weighted average remaining life (years)	Expiry date
1,460,109	$	0.60	0.05	January 20, 2025[(1)]
157,213	$	0.44	0.05	January 20, 2025[(1)]
841,036	$	0.50	0.25	April 3, 2025[(1)]
2,608,052	$	0.50	0.28	April 11, 2025[(1)]
1,231,950	$	0.50	0.65	August 24, 2025
214,800	$	0.50	0.67	August 31, 2025
1,248,716	$	0.37	0.93	December 7, 2025
9,219,000	$	0.37	0.94	December 8, 2025
416,508	$	0.25	0.94	December 8, 2025
529,070	$	0.70	0.94	December 9, 2025
3,372,000	$	0.37	0.97	December 20, 2025
2,729,347	$	0.70	0.97	December 21, 2025
804,000	$	0.37	0.99	December 28, 2025
5,266,324	$	0.37	1.28	April 11, 2026
2,604,333	$	0.64	1.47	June 19, 2026
959,609	$	0.435	2.27	April 9, 2027
560,595	$	0.37	2.43	June 5, 2027
7,038,000	$	0.70	2.61	August 9, 2027
41,260,662				

(1) expired, unexercised subsequent to year end

(Expressed in US Dollars)

8. SHARE CAPITAL (cont'd…)

Finder's units

The continuity of finder's units of the Company was as follows:

	Number of finder's units		Weighted average exercise price (in CAD)
Balance as at December 31, 2022	13,395	$	0.43
Expired	(13,395)		0.43
Balance as at December 31, 2023 and December 31, 2024	**-**	**$**	**-**

During the year ended December 31, 2024, nil (2023 - 13,395) finder's units expired unexercised; accordingly, the $nil (2023 - $1,404) issue-date fair value associated with the expired warrants was reclassified from reserves to share capital.

9. SHARE-BASED COMPENSATION

The Company's equity incentive plan (the "Plan") provides for the grant of awards ("Awards") that enable the acquisition of common shares of the Company. Awards include stock options, RSUs, and performance share units ("PSUs"). The purpose of the Plan is to attract, retain and motivate directors, officers, employees and external service providers by providing them with the opportunity to acquire a proprietary interest in the Company. The options are equity-settled awards, while the RSUs and PSUs can be cash-settled or equity-settled awards as determined by the Company's Board or a committee thereof ("Committee"), at the time of grant. The maximum number of common shares that may be issued pursuant to Awards under this Plan shall be determined from time to time but shall not together with any other share compensation arrangement adopted by the Company in the aggregate exceed 10% of the outstanding common shares of the Company.

Stock options

The Company has a shareholder-approved rolling stock option plan under which the Committee appointed by the Board to administer the Plan may, from time to time in its discretion, grant options to acquire common shares of the Company to its directors, officers, employees, consultants and advisors with an expiry date of a maximum of five years from the date of grant. The exercise price of each option is determined by the Committee but shall not be less than the greater of the fair market value on the trading day prior to the date of grant and the date of grant. At the time of grant, the Committee may determine when an option will become exercisable, subject to the rules of the CSE. The vesting schedule of the options is determined at the discretion of the Committee, but generally vest equally over a two-year period, starting on the date of grant and the first and second anniversaries of date of grant, provided that the participant's termination date does not occur prior to the applicable vesting date.

(Expressed in US Dollars)

9. SHARE-BASED COMPENSATION (cont'd…)

Stock options (cont'd…)

During the year ended December 31, 2024, the Company granted 1,152,500 (2023 - 800,000) stock options with a fair value of $160,450 (2023 - $158,090) using the Black-Scholes option pricing model assuming a life expectancy of 5 years (2023 - 5 years), a risk-free interest rate of 3.35% (2023 - 3.20%), a forfeiture rate of nil (2023 - nil), and volatility of 89% (2023 - 89%).

During the year ended December 31, 2024, the Company expensed $157,413 (2023 - $166,091) for the fair value of options, which was recorded in share-based compensation.

During the year ended December 31, 2024, nil (2023 - 200) incentive stock options were exercised; accordingly, the $nil (2023 - $114) fair value associated with the options exercised was reclassified from reserves to share capital.

During the year ended December 31, 2024, 62,500 (2023 - 476,667) incentive stock options were forfeited or expired; accordingly, the $22,817 (2023 - $269,307) fair value associated with the options was reclassified from reserves to deficit.

The continuity of option transactions of the Company was as follows:

	Number of options		Weighted average exercise price (in CAD)
Balance as at December 31, 2022	2,286,667	$	1.33
Granted	800,000		0.39
Exercised	(200)		0.90
Forfeited / expired	(476,667)		2.21
Balance as at December 31, 2023	2,609,800		0.88
Granted	1,152,500		0.29
Forfeited / expired	(62,500)		4.15
Balance as at December 31, 2024	**3,699,800**	**$**	**0.64**
Exercisable as at December 31, 2024	**2,664,800**	**$**	**0.76**

(Expressed in US Dollars)

9. SHARE-BASED COMPENSATION (cont'd…)

Stock options (cont'd…)

As at December 31, 2024, the Company had outstanding options enabling the holder to acquire common shares as follows:

Number of options	Number of exercisable options		Exercise price (in CAD)	Weighted average remaining life (years)	Expiry date
769,800	769,800	$	0.90	0.75	October 1, 2025
45,000	45,000	$	1.55	1.48	June 24, 2026
180,000	180,000	$	1.90	1.48	June 24, 2026
502,500	502,500	$	0.94	2.08	January 31, 2027
250,000	250,000	$	0.57	2.63	August 19, 2027
550,000	366,667	$	0.34	3.07	January 25, 2028
250,000	166,667	$	0.48	3.58	July 31, 2028
812,500	270,833	$	0.25	4.09	February 2, 2029
340,000	113,333	$	0.38	4.67	August 30, 2029
3,699,800	2,664,800				

Restricted share units and performance share units

During the year ended December 31, 2024, the Company granted 812,500 (2023 - 650,000) RSUs with a fair value of $138,549 (2023 - $162,585), which vest in three equal tranches, commencing on the grant date, over a two-year period.

The Plan also provides the Company with the ability to grant PSUs. The vesting requirements for PSUs are based on certain performance criteria over the vesting period established by the Committee. The number of PSUs that vest is determined by multiplying the number of PSUs granted by an adjustment factor, which ranges from 0% to 200%, based on performance results. As at December 31, 2024, the Company had not granted any PSUs.

During the year ended December 31, 2024, the Company expensed $141,960 (2023 - $150,834) for the fair value of RSUs, which was recorded in share-based compensation.

(Expressed in US Dollars)

9. SHARE-BASED COMPENSATION (cont'd…)

Restricted share units and performance share units (cont'd…)

The continuity of RSUs transactions of the Company was as follows:

	Number of RSUs
Balance as at December 31, 2022	275,000
Granted	650,000
Cancelled	(12,500)
Settled	(150,000)
Balance as at December 31, 2023	762,500
Granted	812,500
Settled	(850,000)
Balance as at December 31, 2024	**725,000**
Vested but not yet settled as at December 31, 2024	**318,750**

10. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

		Year ended December 31, 2024		Year ended December 31, 2023
Loss before income taxes	$	(6,047,206)	$	(4,536,907)
Expected income tax recovery	$	(1,603,000)	$	(1,202,000)
Change in statutory, foreign tax, foreign exchange rates and other		111,000		(464,000)
Permanent differences		(5,000)		31,000
Impact of flow-through shares		421,000		456,000
Share issue costs		(54,000)		(101,000)
Adjustment to prior years provision versus statutory tax returns		413,000		260,000
Change in unrecognized deferred tax assets		717,000		1,020,000
Income tax expense (recovery)	$	-	$	-

(Expressed in US Dollars)

10. INCOME TAXES (cont'd…)

The significant components of the Company's unrecognized deferred income tax assets are as follows:

		2024		2023
Exploration and evaluation assets	$	1,235,000	$	1,099,000
Property and equipment		82,000		86,000
Share issue costs		120,000		214,000
Non-capital losses		7,535,000		6,856,000
		8,972,000		8,255,000
Unrecognized deferred tax assets		(8,972,000)		(8,255,000)
Net deferred tax assets	$	-	$	-

The significant components of the Company's unrecognized deferred income tax liabilities are as follows:

		2024		2023
Exploration and evaluation assets (reclamation provision)	$	(473,000)	$	(477,000)
Reclamation provision		473,000		477,000
Convertible debentures		(90,000)		-
Non-capital losses		90,000		-
Net deferred tax liabilities	$	-	$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

		2024	Expiry date range
Exploration and evaluation assets	$	3,210,000	N/A
Property and equipment	$	278,000	N/A
Share issue costs	$	380,000	2025 to 2028
Non-capital losses	$	26,628,000	2033 to 2044

Tax attributes are subject to review and potential adjustments by tax authorities.

(Expressed in US Dollars)

11. RELATED PARTY TRANSACTIONS

The Company considers key management personnel to consist of its directors and officers. The following expenses were incurred in transactions with key management personnel and their spouses:

		Year ended December 31, 2024		Year ended December 31, 2023
Directors' fees	$	94,904	$	96,318
Professional fees		72,301		86,294
Share-based compensation		233,148		270,253
Wages and benefits		423,558		426,113
	$	823,911	$	878,978

During the year ended December 31, 2024, administrative and exploration and evaluation expenditures of $4,899 (2023 - $83,739) were paid or accrued to a related entity, which provides engineering and subcontractor services for the Bethania Silver Project. As at December 31, 2024, included in accounts payable and accrued liabilities was $7,562 (2023 - $nil) owing to this entity.

As at December 31, 2024, included in accounts payable and accrued liabilities was $133,858 (2023 - $31,049) owing to officers and directors.

12. SUPPLEMENTAL CASH FLOW INFORMATION

The significant non-cash financing and investing activities are as follows:

		Year ended December 31, 2024		Year ended December 31, 2023
Share issue costs included in accounts payable and accrued liabilities	$	-	$	40,070
Shares issued on acquisition of exploration and evaluation assets		-		1,057,491
Shares issued for settlement of accounts payable and accrued liabilities	$	-	$	94,139
Shares issued for convertible debentures	$	331,787	$	-
Shares issued for share issue costs	$	70,353	$	-
Finders' warrants issued for share issue costs	$	-	$	74,677
Shares issued for settlement of RSUs	$	212,984	$	65,895
Reclassification of reserves to share capital on exercise of options	$	-	$	114
Reclassification of reserves to deficit on expiry of options	$	22,817	$	269,307
Reclassification of reserves to share capital on expiry of warrants	$	296,186	$	357,245
Reclassification of reserves to share capital on expiry of finder's units	$	-	$	1,404

(Expressed in US Dollars)

12. SUPPLEMENTAL CASH FLOW INFORMATION (cont'd…)

The significant non-cash financing and investing activities are as follows:

		Year ended December 31, 2024		Year ended December 31, 2023
Reclassification of reserves to deficit on expiry of warrants	$	1,571	$	52,012
Reclassification of reserves to share capital on exercise of warrants	$	11,123	$	-
Residual value of warrants issued in private placement	$	-	$	138,331
Flow-through share premium	$	455,934	$	175,627
Reclamation provision adjustment	$	30,486	$	139,970
Debt unit warrants	$	128,304	$	-

13. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment being the acquisition and exploration of exploration and evaluation assets located in Canada and Peru. The below information is presented after intercompany eliminations; the net impact of foreign exchange is presented in Canada. Geographic information is as follows:

		Canada		Peru		Total
As at December 31, 2024						
Exploration and evaluation assets	$	6,213,948	$	16,127,735	$	22,341,683
Other assets		929,941		452,973		1,382,914
Total assets	$	7,143,889	$	16,580,708	$	23,724,597
For the year ended December 31, 2024						
Revenue	$	-	$	150,129	$	150,129
Loss for the year	$	(3,174,808)	$	(2,872,398)	$	(6,047,206)

(Expressed in US Dollars)

13. SEGMENTED INFORMATION (cont'd…)

		Canada		Peru		Total
As at December 31, 2023						
Exploration and evaluation assets	$	6,774,565	$	17,496,925	$	24,271,490
Other assets		2,886,689		125,892		3,012,581
Total assets	$	9,661,254	$	17,622,817	$	27,284,071
For the year ended December 31, 2023						
Revenue	$	-	$	-	$	-
Loss for the year	$	(3,046,774)	$	(1,490,133)	$	(4,536,907)

14. FINANCIAL INSTRUMENT RISKS

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. As at December 31, 2024, the Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to its liquid financial assets, being cash and receivables. The Company's primary bank accounts are held with a major Canadian bank and funds are transferred to the subsidiary's foreign bank accounts as required to cover current expenditures, minimizing the risk to the Company. Receivables are primarily due from a government agency.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is through regular monitoring of cash requirements. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. Additional funds are required to continue current operations for the upcoming twelve months (Note 1).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes:

14. FINANCIAL INSTRUMENT RISKS (cont'd…)

Market risk (cont'd…)

Foreign currency exchange risk

This risk relates to any changes in foreign currencies in which the Company transacts. The Company incurs costs for goods and services denominated in currencies other than the presentation currency and is subject to foreign currency risk on assets and liabilities denominated in currencies other than the United States dollar. The effect of a 10% change in the foreign exchange rate on monetary balances held in United States dollar and Peruvian soles accounts would be approximately $58,000 recorded in profit or loss for the year ended December 31, 2024. The effect of a 10% change in the foreign exchange rate on monetary balances held in CAD $ and Peruvian soles accounts would be approximately $92,000 recorded in other comprehensive income or loss for the year ended December 31, 2024.

Interest rate risk

This risk relates to the change in the borrowing rates affecting the Company. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with interest rates, with the exception of cash and convertible debentures. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. Interest owed on convertibles debentures is based on a fixed rate. A 1% increase or decrease in the interest rates would have a nominal impact on interest income (expense) for the year ended December 31, 2024.

Price risk

This risk relates to fluctuations in commodity and equity prices. The Company is exposed to price risk related to the provisional pricing on its revenue earned from sales of concentrate. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

The Company does not currently use financial instruments designed to hedge these market risks.

15. FAIR VALUE HIERARCHY

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1

Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

15. FAIR VALUE HIERARCHY (cont'd…)

Level 2

Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3

Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and convertible debentures. The fair value of cash, receivables, and accounts payable and accrued liabilities approximates their carrying values due to the short-term nature of these financial instruments. As at December 31, 2024, the fair value of convertible debentures approximates its carrying value due to being discounted with a rate of interest that approximates market rate.

16. CAPITAL MANAGEMENT

The Company defines capital as cash, debt, and the components of shareholders' equity. The Company's objectives when managing capital are to identify, pursue, and complete the exploration and development of its exploration and evaluation assets, to maintain financial strength, to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness, and to maximize returns for shareholders over the long term. The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management and approved by the Board of Directors. The Company does not have any externally imposed capital requirements. There has been no significant change in the Company's objectives, policies, and processes for managing its capital during the year ended December 31, 2024.

17. COMMITMENTS AND CONTINGENCIES

Commitments

During the year ended December 31, 2024, the Company raised flow-through funds (Note 8) and agreed to use its commercially reasonable best efforts to incur qualifying exploration expenditures in Canada by December 31, 2025. As at December 31, 2024, the Company had CAD $804,465 ($559,772) in qualifying exploration expenditures to be incurred.

17. COMMITMENTS AND CONTINGENCIES (cont'd…)

Contingencies

The Company may be involved in legal proceedings arising in the ordinary course of business, including the actions described below. The potential amount of the liability with respect to such legal proceedings is not expected to materially affect the Company's financial position and results from operations. The Company has accordingly not accrued any amounts related to the litigations below (unless otherwise noted). The Company intends to vigorously defend these claims.

As at December 31, 2024, the Company has the following contingencies:

MTP withheld an accrued payment of $140,000 due to Compañía Minera San Valentín S.A.C. ("San Valentin") and an arbitration was initiated by San Valentin against the Company before an arbitration panel. The Company was ordered to pay $93,597 plus penalties, interest and legal fees to the courts per a judicial order in settlement for the $140,000. In November 2021, the Company paid $93,597 to the courts towards the settlement. San Valentin has not yet agreed to the settlement and has not collected the funds from the courts. There is currently $46,403 included in accounts payable and accrued liabilities as at December 31, 2024 with respect to San Valentin for penalties, interest and legal fees. San Valentin filed a submission with the courts, claiming approximately $280,000 plus interest and legal costs from the Company, in connection with the original arbitration order.

In fiscal 2023, MTP received a first-instance court judgement ordering MTP to pay $170,876 plus interest to Andes Consorcio Minera Del Peru S.A.C. ("ACOMIMPE"). ACOMIMPE had originally claimed $1,167,835 relating to work performed prior to the Company's purchase of MTP in 2020. The Company has filed an appeal and is seeking to have this claim be declared unfounded. ACOMIMPE has also filed an appeal of this judgement which, combined with the Company's appeal, may result in a greater or lesser amount to be awarded. The outcome of this matter is not determinable at this time.

18. SUBSEQUENT EVENTS

Subsequent to December 31, 2024, the Company:

a) issued 536,842 common shares on conversion of CAD $150,000 ($103,965) face value of the convertible debentures plus accrued interest of CAD $3,000 ($2,079);
b) granted 1,335,000 stock options at a price of CAD $0.315 per common share, vesting 1/3 on grant, 1/3 after one year, and 1/3 after two years, expiring on February 10, 2030; granted 500,000 RSUs, vesting 1/2 after one year and 1/2 after two years;
c) issued 672,499 common shares, for proceeds of CAD $306,208 ($213,367), on the exercise of options;
d) issued 11,600,000 common shares at a price of CAD $0.25 per unit by way of a non-brokered private placement for gross proceeds of CAD $2,900,000 ($2,025,715); and
e) issued 702,354 common shares on conversion of CAD $200,000 ($143,988) face value of the convertible debentures plus accrued interest of CAD $13,730 ($9,891).