# TORQ RESOURCES INC.

**Consolidated Financial Statements**

**For the years ended December 31, 2023 and 2022**

(Expressed in Canadian dollars)

# Independent Auditor's Report

To the Shareholders and the Board of Directors of
Torq Resources Inc.

## Opinion

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

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

## Basis for Opinion

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

## Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $19,211,640 during the year ended December 31, 2023 and, as of that date the Company has a working capital deficit of $114,845. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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

Loan Facility – Refer to Note 9 to the financial statements

*Key Audit Matter Description*

On November 27, 2023, the Company and the Lender agreed to amend the loan facility agreement by extending the maturity date to July 11, 2025. In consideration of the extension, the Company agreed to replace share purchase warrants that were previously issued to the Lender with share purchase warrants exercisable at a different price per common share. This amendment was treated as an extinguishment of the former loan facility and reissuance of a new loan facility (the "Loan Facility"). The carrying amount of the equity instruments were established using the residual fair value approach, which represents the difference between the principal amount received from the Loan Facility less the fair value of the loan.

While management is required to make several judgments and assumptions relating to the Loan Facility, those with the highest degree of subjectivity relate to the appropriate accounting treatment and the determination of the discount rate. Auditing these judgements and assumptions resulted in an increased extent of audit effort.

*How the Key Audit Matter Was Addressed in the Audit*

Our audit procedures related to the accounting treatment of the Loan Facility and determination of the discount rate, included the following, among others:

- Evaluated the appropriateness of management's accounting treatment of the Loan Facility by:
    - Reviewing the executed contracts to determine whether all key facts and circumstances were incorporated into management's assessment; and
    - Analyzing relevant accounting standards, including various aspects of IFRS, conceptual framework and guidance.
- Evaluated the reasonableness of the discount rate by comparing it to similar instruments .

## Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Jayana Darras.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
April 17, 2024

**Torq Resources Inc.**
**Consolidated Statements of Financial Position**
(Expressed in Canadian dollars)

| | Note | **December 31, 2023** | December 31, 2022 |
|---|---|---|---|
| | | **$** | $ |
| **ASSETS** | | | |
| **Current** | | | |
| Cash | | **487,970** | 12,470,543 |
| Amounts receivable | | **37,134** | 65,899 |
| Prepaid expenses and deposits | | **559,033** | 466,094 |
| | | **1,084,137** | 13,002,536 |
| Equity investment | 5 | **121,991** | 127,024 |
| Equipment | 6 | **217,646** | 463,816 |
| Mineral property interests | 7 | **2,782,273** | 2,012,368 |
| **Total assets** | | **4,206,047** | 15,605,744 |
| **LIABILITIES** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | 11 | **1,198,982** | 1,637,551 |
| | | **1,198,982** | 1,637,551 |
| Loan facility | 9 | **1,969,137** | 1,966,710 |
| **Total liabilities** | | **3,168,119** | 3,604,261 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 10 | **73,153,551** | 68,160,093 |
| Shares to be issued | 10 | **40,250** | 70,862 |
| Stock options and warrants reserve | | **13,890,761** | 10,547,271 |
| Accumulated other comprehensive income | | **29,739** | 89,777 |
| Deficit | | **(86,076,373)** | (66,866,520) |
| **Total shareholders' equity** | | **1,037,928** | 12,001,483 |
| **Total liabilities and shareholders' equity** | | **4,206,047** | 15,605,744 |

Nature of operations and going concern (Note 1)
Commitments (Note 5)
Subsequent events (Note 16)

Approved and authorized for issue on behalf of the Board of Directors:

*/s/ "Steve Cook"*
Director

*/s/ "Carolina Vargas"*
Director

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

**Torq Resources Inc.**
**Consolidated Statements of Loss and Comprehensive Loss**
(Expressed in Canadian dollars, except for per share amounts and number of shares)

| | Note | Years ended December 31, 2023 | 2022 |
|---|---|---|---|
| | | **$** | $ |
| **Operating expenses** | | | |
| Exploration and evaluation expenses | 8, 11(a) | **13,293,245** | 7,242,112 |
| Fees, salaries and other employee benefits | 11(b) | **2,821,459** | 2,090,738 |
| Legal and professional | 11 | **423,316** | 257,429 |
| Marketing and investor relations | 11 | **1,243,429** | 1,251,320 |
| Office and administration | 11 | **673,548** | 735,307 |
| Project investigation | 11 | **136,417** | 256,533 |
| Regulatory and transfer agent | 11 | **109,801** | 66,110 |
| **Operating loss** | | **18,701,215** | 11,899,549 |
| **Other expenses (income)** | | | |
| Accretion expense | 9 | **317,848** | 93,981 |
| Foreign exchange loss (gain) | | **135,100** | (26,487) |
| Interest expense | 9 | **225,000** | 83,466 |
| Interest income | | **(374,638)** | (195,681) |
| Loss on extinguishment of loan facility | 9 | **202,082** | - |
| Net loss from equity investment | 5 | **5,033** | 23,976 |
| **Net loss before income tax** | | **19,211,640** | 11,878,804 |
| Deferred income tax recovery | 15 | **-** | (159,458) |
| **Net loss for the year** | | **19,211,640** | 11,719,346 |
| **Other comprehensive loss (gain)** | | | |
| Currency translation differences | | **58,251** | (142,040) |
| **Comprehensive loss for the year** | | **19,269,891** | 11,577,306 |
| **Net loss per share:** | | | |
| Basic and diluted | | **0.18** | 0.13 |
| **Weighted average number of common shares:** | | | |
| Basic and diluted | | **108,335,592** | 87,848,503 |

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

**Torq Resources Inc.**
**Consolidated Statements of Cash Flows**
(Expressed in Canadian dollars)

| | Years ended December 31, | |
|---|---|---|
| | **2023** | 2022 |
| | **$** | $ |
| **Operating activities:** | | |
| Net loss for the year | **(19,211,640)** | (11,719,346) |
| Items not affecting cash: | | |
| Accretion expense | **317,848** | 93,981 |
| Deferred income tax recovery | **-** | (159,458) |
| Depreciation | **282,874** | 181,650 |
| Interest expense | **225,000** | 83,466 |
| Interest income | **(374,638)** | (195,681) |
| Loss on extinguishment of loan facility | **202,082** | - |
| Net loss from equity investment | **5,033** | 23,976 |
| Share-based compensation expense | **2,184,578** | 490,899 |
| Unrealized foreign exchange loss (gain) | **1,730** | (37,940) |
| Changes in non-cash working capital: | | |
| Amounts receivable | **28,821** | 85,854 |
| Prepaid expenses and deposits | **(92,260)** | 50,379 |
| Accounts payable and accrued liabilities | **(270,467)** | 1,006,432 |
| **Cash used in operating activities** | **(16,701,039)** | (10,095,788) |
| | | |
| **Investing activities:** | | |
| Acquisition of equity investment | **-** | (1,000) |
| Interest income received | **374,638** | 195,681 |
| Mineral properties additions | **(829,664)** | (1,061,683) |
| Purchase of equipment | **(36,903)** | (196,330) |
| **Cash used in investing activities** | **(491,929)** | (1,063,332) |
| | | |
| **Financing activities:** | | |
| Interest paid on the Loan Facility | **(225,000)** | (83,466) |
| Proceeds from private placement, net of share issuance costs | **5,401,069** | 5,044,875 |
| Proceeds from loan and credit facility, net of arrangement fee and costs | **-** | 2,451,968 |
| Proceeds from issue of shares to Gold Fields Limited, net of costs | **-** | 14,314,287 |
| Proceeds from shares to be issued | **40,250** | - |
| **Cash provided by financing activities** | **5,216,319** | 21,727,664 |
| | | |
| Effect of exchange rate on changes in cash | **(5,924)** | 2,675 |
| Change in cash | **(11,982,573)** | 10,571,219 |
| Cash, beginning of year | **12,470,543** | 1,899,324 |
| **Cash, end of year** | **487,970** | 12,470,543 |
| | | |
| **Supplemental cash flows information:** | | |
| Share issue cost included in accounts payable and accrued liabilities | **162,936** | - |
| Income taxes | **-** | - |

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

**Torq Resources Inc.**
**Consolidated Statements of Changes in Shareholders' Equity**
(Expressed in Canadian dollars, except number of shares)

| | Common shares | Share capital | Shares to be issued | Stock options and warrants reserve | Accumulated other comprehensive income (loss) | Deficit | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ | $ |
| Balance, December 31, 2021 | 77,515,414 | 49,124,432 | 99,031 | 9,284,921 | (52,263) | (55,147,174) | 3,308,947 |
| Shares issued, net of share issue costs - Gold Fields | 15,000,000 | 14,314,287 | - | - | - | - | 14,314,287 |
| Shares issued as finders' fee | 141,667 | 28,169 | (28,169) | - | - | - | - |
| Share-based compensation | - | - | - | 490,899 | - | - | 490,899 |
| Share purchase warrants issued related to the loan facility, net of deferred income tax | - | - | - | 419,781 | - | - | 419,781 |
| Shares issued in private placement, net of share issuance costs | 7,033,400 | 4,693,205 | - | 351,670 | - | - | 5,044,875 |
| Currency translation differences | - | - | - | - | 142,040 | - | 142,040 |
| Net loss for the year | - | - | - | - | - | (11,719,346) | (11,719,346) |
| Balance, December 31, 2022 | 99,690,481 | 68,160,093 | 70,862 | 10,547,271 | 89,777 | (66,866,520) | 12,001,483 |
| Shares issued as finders' fee | 243,750 | 70,862 | (70,862) | - | - | - | - |
| Shares to be issued | - | - | 40,250 | - | - | - | 40,250 |
| Share-based compensation | - | - | - | 2,184,578 | - | - | 2,184,578 |
| Shares issued in private placement, net of share issuance costs | 10,433,899 | 5,042,310 | - | 521,695 | - | - | 5,564,005 |
| Share purchase warrants issued related to the loan facility | - | - | - | 517,503 | - | - | 517,503 |
| Warrants issued for finders' fees | - | (119,714) | - | 119,714 | - | - | - |
| Reclassification of subsidiary other comprehensive income upon dissolution | - | - | - | - | (1,787) | 1,787 | - |
| Currency translation differences | - | - | - | - | (58,251) | - | (58,251) |
| Net loss for the year | - | - | - | - | - | (19,211,640) | (19,211,640) |
| **Balance, December 31, 2023** | **110,368,130** | **73,153,551** | **40,250** | **13,890,761** | **29,739** | **(86,076,373)** | **1,037,928** |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Torq Resources Inc. (the "Company" or "Torq") was incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange (the "Exchange") as a Tier 2 mining issuer. The Company's shares trade under the symbol TORQ.V in Canada and on the OTCQX under the US symbol TRBMF. The head office and principal address of Torq is located at 1177 West Hastings Street, Suite 1630, Vancouver, British Columbia, Canada, V6E 2K3.

The Company is principally engaged in the acquisition and exploration of mineral property interests with a focus in the Americas, particularly Chile.

### Going concern

These consolidated financial statements for the years ended December 31, 2023 and 2022 ("financial statements") have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. As at December 31, 2023, the Company has a working capital deficit of $114,845 (December 31, 2022 working capital surplus - $11,364,985) and an accumulated deficit of $86,076,373 (December 31, 2022 - $66,866,520). During the year ended December 31, 2023 the Company incurred a net loss of $19,211,640 (2022 - $11,719,346). The Company has incurred operating losses to date and does not generate revenue to support its operating activities. With no source of operating cash flows, there is no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. The Company has had success raising capital in the past, on March 10, 2023, the Company closed a non-brokered private placement for gross proceeds of $6,260,339 (Note 10(b)). On January 4, 2024, the Company completed a public and private offering of equity securities for gross proceeds of $5,337,578, which consisted of 23,206,860 units at a price of $0.23 per unit (Note 16). However, the ability to continue as a going concern remains dependent upon Torq's capacity to obtain the financing necessary to continue to fund its mineral properties, including two active exploration projects, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. These conditions create a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## 2. BASIS OF PREPARATION

### a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on April 17, 2024.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

### b) Basis of presentation

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

### c) Functional and presentation currency

These financial statements are presented in Canadian dollars ("$" or "CAD") which is the Company's functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. References to "US$"" are to United States dollars, and references to "CLP" are to Chilean pesos.

### d) Basis of consolidation

These financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

## 2. BASIS OF PREPARATION (continued)

A summary of the Company's subsidiaries included in these financial statements as at December 31, 2023 are as follows:

| Name of subsidiary | Country of incorporation | Percentage ownership | Functional currency | Principal activity |
|---|---|---|---|---|
| Torq Resources Chile SpA | Chile | 100% | USD | Holding company |
| Minera Margarita SpA | Chile | 100% | USD | Mineral exploration |
| Minera Andrea SpA | Chile | 100% | USD | Mineral exploration |
| Minera Santa SpA | Chile | 100% | USD | Mineral exploration |
| Torq Operaciones Chile SpA | Chile | 100% | USD | Mineral exploration |

In January 2023, Candelaria Minerals S.A.C., a dormant subsidiary of the Company, was dissolved.

These financial statements include a 25% investment in Universal Mineral Services Ltd. ("UMS Canada") which is a shared service entity (Note 5).

## 3. MATERIAL ACCOUNTING POLICIES

### a) Foreign currency transaction

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the prevailing rates and non-monetary items measured at historical cost are translated into the entity's functional currency at rates in effect at the date the transaction took place.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are included in the consolidated statements of loss and comprehensive loss for the period in which they arise.

For subsidiaries whose functional currency differs from the presentation currency of the Company, foreign currency balances and transactions are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position are translated at the closing rates at the date of that statement of financial position;
- Interest and other income and expenses for each statement representing profit or loss and other comprehensive income are translated at an exchange rate that approximates the exchange rates at the date of the transaction, determined to be the average rate for the period; and
- All resulting exchange rate differences are recognized in other comprehensive income.

### b) Cash

Cash consists of cash held with highly rated financial institutions.

### c) Equity investment

The Company conducts a portion of its business through equity interest in an associate. An associate is an entity over which the Company has significant influence and is neither a subsidiary nor a joint venture. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policy decisions.

The Company accounts for its investment in associate using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate, after any adjustments necessary to give effect to uniform accounting policies, and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of its associate are recognized in net loss during the period.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### d) Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of its financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument-by-instrument basis) on the day of acquisition to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

A summary of the Company's classification of financial instruments under IFRS 9 *Financial Instruments* is as follows:

| **Financial instrument** | **Classification** |
|---|---|
| Financial assets | |
| Cash and cash equivalents | Amortized cost |
| Amounts receivable | Amortized cost |
| Deposits | Amortized cost |
| Equity investment | FVTPL |
| Financial liabilities | |
| Accounts payable and accrued liabilities | Amortized cost |
| Loan facility | Amortized cost |

Measurement

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recognized in net income (loss) in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss). During the year ended December 31, 2023, the Company recognized a net loss on equity investment of $5,033 (2022 - $23,976), which was carried at FVTPL.

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit loss is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

Derecognition

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Gains and losses on derecognition are generally recognized in the consolidated statements of income (loss). However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

## 3. MATERIAL ACCOUNTING POLICIES (continued)

*Financial liabilities*

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of income (loss) and comprehensive income (loss).

### e) Equipment

Equipment is stated at historical cost net of accumulated depreciation and impairment losses.

The cost of an item of equipment includes the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

The carrying amounts of equipment are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned. Depreciation starts on the date when commissioning is complete, and the asset is ready for its intended use. A summary of the Company's annual depreciation rates and methods is as follows:

| Class of equipment | Useful life | Depreciation method |
|---|---|---|
| Vehicles | 2 - 6 years | Straight-line |
| Office equipment | 1 - 6 years | Straight-line |
| Furniture | 1 - 6 years | Straight-line |

### f) Mineral property interests

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing historical characteristic of many properties, in addition the Company does not carry mineral property title insurance. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

The Company accounts for mineral property interests in accordance with IFRS 6 - *Exploration for and evaluation of mineral properties* ("IFRS 6").

Costs directly related to acquiring the legal right to explore a mineral property including acquisition of licenses, mineral rights, and similar acquisition costs are recognized and capitalized as mineral property interests. Acquisition costs incurred in obtaining the legal right to explore a mineral property are deferred until the legal right is granted and thereon reclassified to mineral property interests. Transaction costs incurred in acquiring an asset are deferred until the transaction is completed and then included in the purchase price of the asset acquired.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation activities, including but not limited to researching and analyzing existing exploration data, conducting geological studies, exploration drilling and sampling, payments made to contractors and consultants in connection with the exploration and evaluation of the property, are expensed in the period in which they are incurred as exploration and evaluation costs on the consolidated statement of loss and comprehensive loss.

Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed as administrative costs in the period in which they occur.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to exploration and evaluation costs.

When a project is deemed to no longer have commercially viable prospects for the Company, all capitalized acquisition costs in respect of that project are deemed to be impaired. As a result, those costs, in excess of the estimated recoverable amount, are written off to the consolidated statement of loss and comprehensive loss.

The Company assesses mineral property interests for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development at which point the assets and further related costs no longer fall under the guidance of IFRS 6.

### g) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized immediately in the consolidated statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal of impairment is recognized in the consolidated statement of comprehensive loss.

### h) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

### i) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, and warrants are classified as equity instruments.

The Company records proceeds from share issuances net of issue costs and any tax effects in equity. Common shares issued for consideration other than cash are valued based on their fair value on the date of issuance.

### j) Valuation of equity units issued in private placements

The Company follows the residual method with respect to the measurement of common shares and common share purchase warrants issued as private placement units, which are classified as equity. Proceeds from private placements are first allocated to the common shares contained in the units based on the market value of shares on the date of issuance, with any residual amount allocated to warrants in the units. If the proceeds are less than or equal to the estimated fair market value of the share issuance, a nil carrying amount is assigned to the warrants.

### k) Share issuance costs

Professional, consulting, regulatory, and other costs directly attributable to equity transactions are recorded as share issuance costs within the equity account.

### l) Share-based compensation

From time to time, the Company grants share options to employees and non-employees.

Where equity-settled share options are awarded to employees the fair value of the options, estimated using the Black-Scholes option pricing model, at the date of grant is charged to the net loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is charged to the net loss over the remaining vesting period.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

### m) Loss per share

Basic loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average number of shares issued and outstanding during the year. For all periods presented, the net loss attributable to common shareholders equals the reported loss. Diluted loss per share is calculated by dividing the net loss applicable to common shareholders by the weighted average number of diluted common shares outstanding during the year. Diluted common shares reflect the potential dilutive effect of exercising the share options and warrants based on the treasury share method.

### n) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in net loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position statement date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, a reduction in the asset is recognized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### o) New accounting standards and interpretations

The Company adopted the following amendments to accounting standards, which are effective for annual periods beginning on or after January 1, 2023:

<u>Disclosure of accounting policies - amendments to IAS 1 and IFRS Practice Statement 2</u>
The amendments to IAS 1 *Presentation of financial statements* and IFRS Practice Statement 2 *Making materiality judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Company’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company’s financial statements.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

Definition of accounting estimates - amendments to IAS 8

The amendments to IAS 8 *Accounting policies, changes in accounting estimates and errors* clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company's financial statements.

Deferred tax related to assets and liabilities arising from a single transaction - amendments to IAS 12

The amendments to IAS 12 *Income Taxes* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company's financial statements.

The Company has not early adopted any other new accounting standard, interpretation or amendment that has been issued but is not yet effective.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### a) Significant accounting judgements

The preparation of these financial statements requires management to exercise significant judgments in applying the Company's accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual future outcomes could differ from present estimates and assumptions, which may require material adjustments to the Company's financial statements. Revisions to accounting estimates are accounted for prospectively.

Significant judgments exercised by management in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

Economic recoverability and probability of future economic benefits of mineral property interests

Management has determined that the acquisition of mineral properties and related costs incurred, which have been recognized on the consolidated statements of financial position, are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geological data, scoping studies, accessible facilities, and existing and future permits.

Indications of impairment of assets

Impairment testing is done at the cash generating unit level and judgment is involved in assessing whether there is any indication that an asset or a cash generating unit may be impaired. The assessment of the impairment indicators involves the application of a number of significant judgments and estimates to certain variables, including metal price trends, exploration plans for properties and the results of exploration and evaluation to date.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Financial instruments

Financial instruments are assessed upon initial recognition to determine whether they meet the definition of a financial asset, financial liability or equity instrument depending on the substance of the contractual arrangement. Judgment is required in making this determination as the substance of a transaction may differ from its legal form. Once a determination is made, IFRS requires that financial instruments be measured at fair value on initial recognition. For financial instruments that do not have quoted market prices or observable inputs, judgments are made in determining what are appropriate inputs and assumptions to use in calculating the fair value. Judgement is applied in determining the fair value of the loan facility (Note 9) and shares issued pursuant to mineral property option payments (Note 10).

Income taxes

The provision for income taxes and composition of income tax assets and liabilities requires management's judgment. The application of income tax legislation requires judgment in order to interpret legislation and to apply those findings to the Company's transactions.

### b) Key sources of estimation uncertainty

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

Provisions

Provisions recognized in the financial statements involve judgments on the occurrence of future events, which could result in a material outlay for the Company. In determining whether an outlay will be material, the Company considers the expected future cash flows based on facts, historical experience and probabilities associated with such future events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported.

Reclamation obligations

Management assesses its reclamation obligations annually and when circumstances suggest that a material change to the obligations may have occurred. Significant estimates and assumptions are made in determining the provision for rehabilitation and site restoration, as there are numerous factors that will affect the ultimate liability that becomes payable. These factors include estimates of the extent, the timing and the cost of reclamation activities, regulatory change, cost increases, and changes in discount rates. Those uncertainties may result in actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future reclamation costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the reclamation asset and liability.

As the Company's projects are in early-stage exploration, with limited equipment and camp set up, management estimated the provision to be $nil as at December 31, 2023 and 2022.

Share-based compensation

The Company determines the fair value of options granted using the Black-Scholes option pricing model. This option pricing model requires the development of market-based subjective inputs, including the risk-free interest rate, expected price volatility, and expected life of the option. Changes in these inputs and the underlying assumptions used to develop them can materially affect the fair value estimate.

(Expressed in Canadian dollars, except where noted)

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Deferred tax assets and liabilities

Management judgment and estimates are required in assessing whether deferred tax assets and deferred tax liabilities are recognized in the consolidated statements of financial position. Judgments are made as to whether future taxable profits will be available in order to recognize deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, and other capital management transactions. These judgments and assumptions are subject to risk and uncertainty and changes in circumstances may alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the consolidated statements of financial position and the benefit of other tax losses and temporary differences not yet recognized.

## 5. EQUITY INVESTMENT

On April 1, 2022, the Company purchased a 25% share interest in a shared-service provider, UMS Canada for nominal consideration. The remaining 75% of UMS Canada is owned equally by Tier One Silver Inc., Coppernico Metals Inc. and Fury Gold Mines Limited. The Company further recognized as part of its net investment in UMS Canada, a cash deposit of $151,000, which is held by UMS Canada for the purposes of general working capital, and which will only be returned to the Company upon termination of the UMS Canada arrangement.

UMS Canada is located in Vancouver, British Columbia, Canada and provides geological, financial and transactional advisory services as well as administrative services to the Company and three other companies on a cost recovery basis. Having these services available through UMS Canada on an as needed basis, allows the Company to maintain a more efficient and cost-effective corporate overhead structure by hiring fewer full-time employees and engaging outside professional advisory firms less frequently. The service agreement with UMS Canada has an indefinite term and can be terminated by each participating company upon providing due notice. UMS Canada is party to an office lease agreement with a term of ten years, for which certain rent expenses will be payable by the Company. As at December 31, 2023, the Company expects to incur approximately $1.5 million in respect of future lease rent for the remaining 7.5 years.

A summary of the UMS Canada's net loss and the Company's share of the net loss for the years ended December 31, 2023 and 2022 is as follows:

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Cost recoveries | **(5,517,220)** | (4,422,927) |
| Geological services | **1,907,436** | 1,672,861 |
| Administrative services | **3,629,917** | 2,845,971 |
| **Net loss** | **20,133** | 95,905 |
| **Company's share of net loss from equity investment** | **5,033** | 23,976 |

A summary of the carrying amount of the Company's investment in UMS Canada is as follows:

| | |
|---|---|
| | $ |
| Balance, December 31, 2021 | - |
| Acquisition of equity investment | 151,000 |
| Company's share of net loss from equity investment | (23,976) |
| Balance, December 31, 2022 | 127,024 |
| Company's share of net loss from equity investment | (5,033) |
| **Balance, December 31, 2023** | **121,991** |

(Expressed in Canadian dollars, except where noted)

## 5. EQUITY INVESTMENT (continued)

A summary of the Company's equity interest in net assets of UMS Canada as at December 31, 2023 is as follows:

| | $ |
|---|---|
| Current assets | 843,647 |
| Non-current assets | 2,468,384 |
| Current liabilities | (1,484,317) |
| Non-current liabilities | (1,339,752) |
| Net assets | 487,962 |
| **Company's equity interest in net assets** | **121,991** |

## 6. EQUIPMENT

A summary of the Company's equipment is as follows:

| | $ |
|---|---|
| **Cost** | |
| Balance, December 31, 2021 | 415,529 |
| Additions | 196,330 |
| Disposals | (7,823) |
| Foreign currency translation | 86,888 |
| Balance, December 31, 2022 | 690,924 |
| Additions | 36,903 |
| Foreign currency translation | (300) |
| **Balance, December 31, 2023** | **727,527** |
| | |
| **Accumulated depreciation** | |
| Balance, December 31, 2021 | 32,259 |
| Depreciation | 174,073 |
| Disposals | (247) |
| Foreign currency translation | 21,023 |
| Balance, December 31, 2022 | 227,108 |
| Depreciation | 282,874 |
| Foreign currency translation | (101) |
| **Balance, December 31, 2023** | **509,881** |
| | |
| **Carrying amount** | |
| Balance, December 31, 2022 | 463,816 |
| **Balance, December 31, 2023** | **217,646** |

During the year ended December 31, 2023, the Company recorded $256,201 (2022 - $163,283) of depreciation in the statement of loss and comprehensive loss, depreciation for vehicles was classified under exploration and evaluation expenses while depreciation for office equipment was classified under office and administration expenses.

(Expressed in Canadian dollars, except where noted)

## 7. MINERAL PROPERTY INTERESTS

A summary of the Company's mineral property interests is as follows:

| | Margarita Project | Andrea Project | Santa Cecilia Project | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Balance, December 31, 2021 | 453,886 | 165,826 | 268,486 | 888,198 |
| Additions | 3,435 | - | - | 3,435 |
| Option payments | 477,841 | 170,937 | 409,470 | 1,058,248 |
| Foreign currency translation | 35,977 | 21,000 | 5,510 | 62,487 |
| Balance, December 31, 2022 | 971,139 | 357,763 | 683,466 | 2,012,368 |
| Option payments | 748,460 | 81,204 | - | 829,664 |
| Foreign currency translation | (37,559) | (9,480) | (12,720) | (59,759) |
| **Balance, December 31, 2023** | **1,682,040** | **429,487** | **670,746** | **2,782,273** |

### a) Margarita Project

On March 8, 2021, the Company announced it had acquired the option to earn a 100% interest in the Margarita iron-oxide-copper-gold project (the "Margarita Project") located in Chile, 65 kilometers ("km") north of the city of Copiapo. The Company acquired the rights that constitute the Margarita Project through two option agreements: the Margarita claims and the La Cototuda claim.

Pursuant to the execution of the Margarita project option agreement ("Margarita Project Option Agreement"), the Company incurred finders' fees requiring the issuance of 466,667 common shares of the Company (the "Finder's Fee Shares") in separate tranches as follows: 81,250 shares were issued on April 7, 2021; 141,667 shares were issued on March 31, 2022; and the final 243,750 shares were issued on March 31, 2023 (Note 10(b)). These Finder's Fee Shares have been recognized at a total $159,969 fair value within equity.

<u>Margarita claims</u>

Under the Margarita Project Option Agreement, the Company may acquire a 100% interest in the Margarita claims by making cash payments totaling US$6,200,000 over 66 months. Under the Margarita Project Option Agreement, the Company's may acquire a 100% interest in the project by making cash option payments totaling US$6,200,000 and incurring work expenditures totaling US$3,050,000 as summarized in the table below. As at December 31, 2023, the Company has paid the required cash option payments and incurred the required work expenditures.

The summary of the Company's total required cash payments and work expenditures under the option agreement is as follows:

| | Cash payments | Work expenditures requirement |
|---|---|---|
| | US$ | US$ |
| April 20, 2021 (paid $62,445) | 50,000 | - |
| August 22, 2021 (paid $64,280 and work expenditures requirement met) | 50,000 | 400,000 |
| August 22, 2022 (paid $155,013 and work expenditures requirement met) | 100,000 | 1,150,000 |
| August 18, 2023 (paid $406,560 and work expenditures requirement met) | 300,000 | 1,500,000 |
| August 22, 2024 | 1,200,000 | - |
| August 22, 2025 | 2,000,000 | - |
| August 22, 2026 | 2,500,000 | - |
| | **6,200,000** | **3,050,000** |

<u>La Cototuda Claim</u>

Under the La Cototuda option agreement, the Company can acquire a 100% interest in the La Cototuda claim by making cash payments totaling US$900,000 over 36 months.

(Expressed in Canadian dollars, except where noted)

### 7. MINERAL PROPERTY INTERESTS (continued)

The summary of the Company's total required cash payments under the option agreement is as follows:

| | **Cash payments** |
|---|---:|
| | US$ |
| February 23, 2021 (paid $63,065) | 50,000 |
| February 23, 2022 (paid $31,745) | 25,000 |
| August 23, 2022 (paid $291,083) | 225,000 |
| October 23, 2023 (paid $341,900) | 250,000 |
| February 23, 2024 (paid $472,920 subsequent to December 31, 2023) | 350,000 |
| | **900,000** |

#### b) Andrea Project

On May 25, 2021, the Company announced it had acquired the option to earn a 100% interest in the Andrea copper porphyry project (the "Andrea Project") located in northern Chile, 100 km east of the city of La Serena. The Company acquired the rights that constitute the Andrea project through three option agreements.

On May 12, 2023, the Company amended the timing of the option payments to acquire 100% of the Andrea project ("Andrea Project").

On March 25, 2024, the Company decided to drop its option on the Andrea project in order to focus and prioritize its capital allocation to its more advanced Margarita and Santa Cecilia projects (Note 16).

#### c) Santa Cecilia Project

On October 21, 2021, the Company announced that it had acquired an option to earn a 100% interest in the 3,250-hectare Santa Cecilia gold-copper project, ("Santa Cecilia"), located approximately 100 km east of the city of Copiapo in Northern Chile. The project is in the southern region of the world-class Maricunga belt and immediately north of the El Indio belt.

In order to maintain the Santa Cecilia project option agreement ("Santa Cecilia Project"), the Company needs to make option payments up to October 21, 2028. The Company has made on-time all the required option payments totaling US$400,000 to the date of these financial statements.

The summary of total required cash payments and work expenditures under the option agreement is as follows:

| | **Cash payments** | **Work expenditures requirement** |
|---|---:|---:|
| | US$ | US$ |
| October 21, 2021 (paid $123,580) | 100,000 | - |
| October 21, 2022 (paid $409,470) | 300,000 | - |
| October 21, 2023 (work expenditures requirement met) | - | 3,000,000 |
| October 21, 2024 | 600,000 | 4,500,000 |
| October 21, 2025 | 1,000,000 | 8,000,000 |
| October 21, 2026 | 3,000,000 | - |
| October 21, 2027 | 5,000,000 | - |
| October 21, 2028 | 15,000,000 | - |
| | **25,000,000** | **15,500,000** |

The Company needs to complete total staged work expenditures of US$15,500,000 over the period up to October 20, 2028, as well as complete 25,000 m of drilling which is a pre-requisite to exercising the option to earn 100% interest in the project. The first work expenditure requirement by October 20, 2023, is US$3,000,000; as at December 31, 2023, the Company had incurred just under US$7,500,000 of eligible work expenditures and drilled 2,059 m.

(Expressed in Canadian dollars, except where noted)

## 8. EXPLORATION AND EVALUATION EXPENSES

A summary of the Company's exploration and evaluation expenses for the years ended December 31, 2023 is as follows:

| | Margarita Project | Andrea Project | Santa Cecilia Project | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Community relations | - | - | 287,340 | 287,340 |
| Drilling | 831,722 | - | 1,867,796 | 2,699,518 |
| Environmental, permitting and concessions | 228,129 | 18,162 | 496,282 | 742,573 |
| Equipment, vehicles, rent and field supplies | 14,346 | 174 | 70,571 | 85,091 |
| Geological consulting, salaries and wages | 1,339,141 | 35,495 | 2,568,601 | 3,943,237 |
| Geophysics, sampling and assays | 316,898 | - | 525,533 | 842,431 |
| Project support | 885,060 | 53,069 | 1,621,896 | 2,560,025 |
| Share-based compensation | 322,666 | 17,852 | 430,894 | 771,412 |
| Travel, meals and accommodation | 331,713 | 19,966 | 1,009,939 | 1,361,618 |
| | **4,269,675** | **144,718** | **8,878,852** | **13,293,245** |

A summary of the Company's exploration and evaluation expenses for the years ended December 31, 2022 is as follows:

| | Margarita Project | Andrea Project | Santa Cecilia Project | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Community relations | - | - | 297,110 | 297,110 |
| Drilling | 1,383,575 | - | 31,427 | 1,415,002 |
| Environmental, permitting and concessions | 39,414 | 22,841 | 70,661 | 132,916 |
| Equipment, vehicles, rent and field supplies | 69,455 | 2,813 | 43,910 | 116,178 |
| Geological consulting, salaries and wages | 1,346,334 | 276,193 | 1,070,380 | 2,692,907 |
| Geophysics, sampling and assays | 564,633 | 8,570 | 137,712 | 710,915 |
| Project support | 780,668 | 83,392 | 391,196 | 1,255,256 |
| Share-based compensation | 89,562 | 17,992 | 28,277 | 135,831 |
| Travel, meals and accommodation | 305,212 | 21,679 | 159,106 | 485,997 |
| | **4,578,853** | **433,480** | **2,229,779** | **7,242,112** |

## 9. LOAN FACILITY

A summary of the Company's loan facility is as follows:

| | |
|---|---|
| | $ |
| Balance, December 31, 2021 | - |
| Advances | 1,872,729 |
| Accretion expense | 93,981 |
| Balance, December 31, 2022 | 1,966,710 |
| Accretion expense | 317,848 |
| Loan extinguishment and recognition adjustment | (315,421) |
| **Balance, December 31, 2023** | **1,969,137** |
| | |
| Current portion | - |
| Non-current portion | 1,969,137 |

On July 19, 2022, the Company secured a $3,000,000 loan facility with 191010 Investments Limited, (the "Lender") with a maturity date of July 19, 2024, subject to interest payments at 9% per annum, and incurring transaction costs of $48,032. Under the loan agreement, the Company is required to issue share purchase warrants to the Lender with each advance. Upon closing of the loan facility, the Company drew down $2,000,000 and issued 3,333,333 share purchase warrants exercisable at $0.60 per common share of the Company until July 19, 2024. The Company allocated $1,527,531 of the initial draw down to the loan facility based on its estimated fair value and $472,469 to the share purchase warrants being the residual amount. Of the total transaction costs of $48,032, $36,685 was allocated to the loan facility and $11,347 was allocated to the share purchase warrants.

## 9. LOAN FACILITY (continued)

On December 13, 2022, the Company drew down $500,000 and issued 769,231 share purchase warrants exercisable at $0.65 per common share of the Company until July 11, 2024. The Company allocated $381,883 of the draw down to the loan facility based on its estimated fair value and $118,117 to the share purchase warrants being the residual amount.

On November 27, 2023, the Company and the Lender agreed to amend the loan facility agreement by extending the maturity date to July 11, 2025. In consideration of the extension, the Company agreed to replace the 4,102,564 share purchase warrants that were issued to the Lender with 7,500,000 share purchase warrants exercisable at $0.35 per common share until July 11, 2025. This amendment was treated as an extinguishment of the former loan facility and reissuance of a new loan facility. The extinguishment gave rise to a loss on extinguishment of $202,082 on the statement of loss and comprehensive loss. The Company allocated $1,982,497 of the $2,500,000 principal to the loan facility based on its estimated fair value and $517,503 to the share purchase warrants being the residual amount.

The effective interest rate of the amended loan facility is estimated at 29.10%. During the year ended December 31, 2023, the Company incurred an accretion expense in respect of the loan totaling $317,848 (2022 - $93,981).

During the year ended December 31, 2023, the Company has incurred interest expense in respect of the loan facility totaling $225,000 (2022 - $83,466) all of which has been paid in cash.

## 10. SHARE CAPITAL

### a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

### b) Issued share capital

During the year ended December 31, 2023, the Company had the following share capital transactions:

- During the year ended December 31, 2023, the Company received gross proceeds of $40,250 for a public and private unit offering which closed subsequent to year-end on January 4, 2024 (Note 16).
- On March 31, 2023, the Company issued 243,750 common shares with a fair value of $70,862, in relation to the Margarita Project finders' fee agreement, which were previously recorded under shares to be issued during the year ended December 31, 2022 (Note 7(a)).
- On March 10, 2023, the Company closed a non-brokered private placement for gross proceeds of $6,260,339 consisting of 10,433,899 units of the Company at a price of $0.60 per unit. Each unit consists of one Torq common share and one half of a share purchase warrant, each whole share purchase warrant exercisable at $0.80 per Torq common share until March 10, 2026. The securities were issued under the listed issuer financing exemption, pursuant to National Instrument 45-106 *Prospectus Exemptions*, and therefore no hold period applied to these securities in Canada, except where required by the TSX Venture Exchange.

  The Company attributed $5,042,310 of the gross proceeds to share capital and a residual value of $521,695 to the warrants issued. The Company paid cash share issuance costs of $696,334 and issued 601,034 warrants ("Broker Warrants") to the agents with a fair value of $119,714. Each Broker Warrant is exercisable at $0.60 per Torq common share until March 10, 2025.

During the year ended December 31, 2022, the Company had the following share capital transactions:

- On September 15, 2022, the Company completed a $15,000,000 non-brokered private placement with a wholly owned affiliate of a NYSE listed international gold mining company, Gold Fields Limited ("Gold Fields"), at a purchase price of $1.00 per common share. The Company issued 15,000,000 common shares on September 15, 2022. The total cost of issuing the shares was $685,713 which has been recognized within share capital.
- On March 31, 2022, the Company issued 141,667 common shares with a $28,169 fair value, pursuant to the Margarita Project finders' fee agreement (Note 7(a)).
- On March 18, 2022, the Company closed a non-brokered private placement of 7,033,400 units at a price of $0.75 per unit for gross proceeds of $5,275,050. Each unit consisted of a common share and a share purchase warrant exercisable at $1.10 per share until March 18, 2025. Share issuance costs including customary referral fees totaled $230,175. The Company attributed $4,693,205 of the gross proceeds to share capital and a residual value of $351,670 to the warrants issued.

(Expressed in Canadian dollars, except where noted)

## 10. SHARE CAPITAL (continued)

### c) Stock options

The Company maintains a rolling share-based option plan (the "Option Plan") providing for the issuance of share purchase options up to 10% of the Company's issued and outstanding common shares. The Company may grant from time-to-time share options to its directors, officers, employees and other service providers. The share options typically vest 25% on the date of the grant and 12½% every three months thereafter for a total vesting period of 18 months.

A summary of the Company's stock option activity is as follows:

| | Number of stock options | Weighted average exercise price |
|---|---|---|
| | # | $ |
| Balance, December 31, 2021 | 7,745,000 | 0.80 |
| Granted | 700,000 | 0.65 |
| Forfeited | (70,000) | 0.78 |
| Cancelled | (4,523,125) | 0.85 |
| Balance, December 31, 2022 | 3,851,875 | 0.72 |
| Granted | 5,550,000 | 0.73 |
| Forfeited | (265,000) | 0.71 |
| Cancelled | (404,375) | 0.65 |
| **Balance, December 31, 2023** | **8,732,500** | **0.73** |

A summary of the Company's stock options outstanding at December 31, 2023, is as follows:

| Date of expiry | Number of options outstanding | Number of options exercisable | Weighted average exercise price | Weighted average remaining life |
|---|---|---|---|---|
| | # | # | $ | Years |
| April 1, 2024 | 250,000 | 250,000 | 0.50 | 0.25 |
| May 25, 2025 | 400,000 | 400,000 | 0.58 | 1.40 |
| June 25, 2025 | 150,000 | 150,000 | 0.66 | 1.48 |
| April 7, 2026 | 1,290,000 | 1,290,000 | 0.77 | 2.27 |
| September 3, 2026 | 375,000 | 375,000 | 0.82 | 2.68 |
| November 24, 2026 | 490,000 | 490,000 | 0.86 | 2.90 |
| July 19, 2027 | 456,250 | 403,438 | 0.65 | 3.55 |
| January 19, 2028 | 5,176,250 | 3,217,756 | 0.73 | 4.05 |
| February 7, 2028 | 45,000 | 28,125 | 0.62 | 4.11 |
| March 3, 2028 | 100,000 | 62,500 | 0.60 | 4.18 |
| | **8,732,500** | **6,666,819** | **0.73** | **3.16** |

A summary of the Company share-based compensation recognized within profit or loss during the years ended December 31, 2023 and 2022 is as follows:

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Exploration and evaluation | **771,411** | 135,831 |
| Fees, salaries and other employee benefits | **1,272,818** | 328,133 |
| Marketing and investor relations | **108,298** | 23,803 |
| Project investigation | **32,051** | 3,132 |
| | **2,184,578** | 490,899 |

During the year ended December 31, 2023, the Company granted 5,550,000 stock options to directors, officers, employees, and other service providers who are consultants that provide on-going services to the Company, representative of employee services. The weighted average fair value per option of these share options was calculated as $0.44 using the Black-Scholes option valuation model at the grant date.

(Expressed in Canadian dollars, except where noted)

## 10. SHARE CAPITAL (continued)

During the year ended December 31, 2022, the Company granted 700,000 stock options to directors, officers, employees, and certain consultants who provide on-going services to the Company, representative of employee services. The weighted average fair value per option of these share options was calculated as $0.32 using the Black-Scholes option valuation model at the grant date.

A summary of the Company's weighted average inputs used in the Black-Scholes option pricing model for stock options issued during the years ended December 31, 2023 and 2022 is as follows:

| | **2023** | 2022 |
|---|---|---|
| Share price | **$0.73** | $0.55 |
| Exercise price | **$0.73** | $0.65 |
| Risk-free interest rate | **2.84%** | 3.13% |
| Expected life | **5 years** | 5 years |
| Expected volatility | **70.93%** | 71.46% |
| Expected annual dividend rate | **0.00%** | 0.00% |

### d) Share purchase warrants

A summary of the Company's warrant activity is as follows:

| | **Number of warrants** | **Weighted average exercise price** |
|---|---|---|
| | # | $ |
| Balance, December 31, 2021 | - | - |
| Issued | 11,135,964 | 0.92 |
| Balance, December 31, 2022 | 11,135,964 | 0.92 |
| Issued | 13,317,983 | 0.54 |
| Cancelled | (4,102,564) | 0.61 |
| **Balance, December 31, 2023** | **20,351,383** | **0.73** |

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

| **Date of expiry** | **Number of warrants** | **Weighted average exercise price** | **Weighted average remaining life** |
|---|---|---|---|
| | # | $ | Years |
| March 1, 2025 | 7,033,400 | 1.10 | 1.17 |
| March 10, 2025 | 601,034 | 0.60 | 1.19 |
| July 11, 2025 | 7,500,000 | 0.35 | 1.53 |
| March 10, 2026 | 5,216,949 | 0.80 | 2.19 |
| | **20,351,383** | **0.73** | **1.45** |

In connection with the non-brokered private placement on March 10, 2023, the Company issued 601,034 Broker Warrants to the agents with a fair value of $119,714. A summary of the Company's weighted average inputs used in the Black-Scholes option pricing model for Broker Warrants issued is as follows:

| | **2023** |
|---|---|
| Share price | **$0.55** |
| Exercise price | **$0.60** |
| Risk-free interest rate | **3.97%** |
| Expected life | **2 years** |
| Expected volatility | **67.09%** |
| Expected annual dividend rate | **0.00%** |

(Expressed in Canadian dollars, except where noted)

## 11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

### a) Related party transactions

A summary of the Company's transactions with UMS Canada for the years ended December 31, 2023 and 2022, is as follows:

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Exploration and evaluation expenses | **601,510** | 353,240 |
| Fees, salaries and other employee benefits | **706,857** | 516,134 |
| Legal and professional | **15,878** | 44,304 |
| Marketing and investor relations | **195,948** | 106,779 |
| Office and administration | **488,981** | 354,223 |
| Project investigation | **33,358** | 61,416 |
| Regulatory and transfer agent | **-** | 51 |
| Share issue costs | **6,982** | 6,992 |
| | **2,049,514** | 1,443,139 |

As at December 31, 2023, included in the Company's accounts payable and accrued liabilities was $175,417 (December 31, 2022 - $161,900) and in prepaid expenses and deposits was $298,609 (December 31, 2022 - $240,000) relating to transactions with UMS Canada. All transactions with UMS Canada have occurred in the normal course of operations. All balances are unsecured, non-interest bearing and have no specific terms of repayment, unless otherwise noted.

### b) Key management compensation

A summary of the Company's related party transactions for the years ended December 31, 2023 and 2022, is as follows:

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Exploration and evaluation expenses | **596,672** | 486,051 |
| Fees, salaries and other employee benefits (1) | **792,194** | 821,965 |
| Share-based compensation( 2) | **1,521,526** | 103,645 |
| | **2,910,392** | 1,411,661 |

(1) During the year ended December 31, 2023, included in fees, salaries and other employee benefits was a total of $135,703 (2022 - $75,172) paid to The Company's directors and officers for services rendered during the year.

(2) The Company issues options to certain UMS Canada employees including key management personnel of the Company. During the year ended December 31, 2023, the Company recognized a share-based compensation expense of $783,451 (2022 - $355,135) in respect of stock options granted to UMS Canada employees.

## 12. SEGMENTED INFORMATION

The Company operates as one operating segment, being the acquisition and exploration of mineral resource properties. The Company's primary exploration and evaluation assets are located in Chile, and its corporate assets, comprising mainly cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results. Most corporate expenses are incurred in Canada.

(Expressed in Canadian dollars, except where noted)

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2023, the Company's financial instruments consist of cash, amounts receivable, deposits, accounts payable and accrued liabilities, and loan facility; all of these financial instruments are measured at amortized cost. The fair values of cash, amounts receivable, deposits, accounts payable and accrued liabilities approximate their carrying values due to their short-term to maturity.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below:

### a) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. As the Company's operations do not generate cash, financial liabilities are discharged using funding through the issuance of common shares or debt, as required. As at December 31, 2023, the Company had cash of $487,970 (December 31, 2022 - $12,470,543) to settle accounts payable and accrued liabilities of $1,198,982 (December 31, 2022 - $1,637,551) with contractual maturities of less than one year. The Company will be required to raise additional funding to meet its financial obligations in the near term and has done so subsequent to the period end (Note 16). There is no assurance that the necessary financing will be available in a timely manner or on terms acceptable to the Company. The Company assesses liquidity risk as high.

### b) Credit risk

The Company's cash, deposits and amounts receivable are exposed to credit risk, which is the risk that the counterparties to the Company's financial instruments will cause a loss to the Company by failing to meet their obligations. The amount of credit risk to which the Company is exposed is considered insignificant as the Company's cash is held with highly rated financial institutions in interest-bearing accounts and the amounts receivable primarily consist of sales taxes receivable from the Government of Canada.

### c) Foreign exchange risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to significant foreign exchange risk by holding balances and transactions in currencies that are different from its functional currency.

The Canadian parent company is exposed to US$ foreign currency risk with CAD functional currency and the Chilean subsidiaries with US$ functional currency are exposed to CLP foreign currency risk. As at December 31, 2023, the Company's foreign currency exposure related to its financial assets and liabilities held in US$ and CLP is as follows:

| | **USD** | **CLP** |
|---|---|---|
| | $ | $ |
| **Financial assets** | | |
| Cash and cash equivalents | 157 | 192,474 |
| Amounts receivable | - | 2,252 |
| **Financial liabilities** | | |
| Accounts payable and accrued liabilities | - | (791,134) |
| **Net financial assets (liabilities)** | **157** | **(596,408)** |

A 10% increase or decrease in the US$ and CLP exchange rates would result in an impact of approximately $59,657 to the Company's loss and comprehensive loss for the year ended December 31, 2023.

(Expressed in Canadian dollars, except where noted)

## 14. CAPITAL MANAGEMENT

The Company considers capital to include items within shareholders' equity. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and evaluation of mineral properties and to maintain the Company in good standing. In order to maintain or adjust its capital structure, the Company may issue additional common shares. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

The properties in which the Company currently has an interest are in the exploration stage and are not positive cash-flow generating; as such, the Company has historically relied on the equity and debt markets to fund its activities. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company. The Company is not subject to any capital restrictions and the Company's approach to capital management has not changed from the prior periods.

## 15. INCOME TAX

A summary of the Company's reconciliation of income taxes at statutory rates for the years ended December 31, 2023 and 2022, is as follows:

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Loss before income taxes | **(19,211,640)** | (11,878,804) |
| Expected income tax recovery | **(5,187,144)** | (3,207,277) |
| Share issuance costs | **(188,010)** | (260,258) |
| Differences in future and foreign jurisdiction tax rates | **168,336** | (225) |
| Non-deductible expenses and other | **1,069,144** | 730,644 |
| Adjustment to prior years provision versus statutory returns | **(213,408)** | - |
| Temporary differences originated in the year | **37,538** | - |
| Change in unrecognized deferred tax assets | **4,313,544** | 2,577,658 |
| **Income tax recovery** | **-** | (159,458) |

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

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| | **$** | $ |
| Exploration and evaluation assets | **11,000,554** | 10,115,336 |
| Non-capital losses carried forward | **42,711,336** | 27,821,434 |
| Capital losses carried forward | **2,273,151** | 2,273,151 |
| Share issuance costs | **772,873** | 771,136 |
| | **56,757,914** | 40,981,057 |

As at December 31, 2023, the Company has accumulated non-capital losses of $23,418,479 in Canada (December 31, 2022 - $20,000,129) for income tax purposes, which may be carried forward to reduce taxable income in future years. The Canadian non-capital losses will, if unused, expire in various years between 2026 and 2043. The Company has non-capital losses in Chile of $19,660,675 (December 31, 2022 - $8,845,549) which carryforward and do not expire.

As at December 31, 2023, the Company has accumulated capital losses of $2,273,151 in Canada (December 31, 2022 - $2,273,151) which may be carried forward indefinitely and do not expire.

## 16. SUBSEQUENT EVENTS

On January 4, 2024, the Company completed a public and private offering and issued 23,206,860 units at a price of $0.23 per unit for gross proceeds of $5,337,578. Each unit consists of one Torq common share and one share purchase warrant exercisable at $0.30 per Torq common share until January 4, 2027. Three directors of the Company purchased an aggregate of 575,000 units in the offering for gross proceeds of $132,250.

On February 21, 2024, the Company paid $472,920 (US$350,000) under the La Cototuda option agreement (Note 7(a)).

On March 25, 2024, the Company decided to drop its option on the Andrea project in order to focus and prioritize its capital allocation to its more advanced Margarita and Santa Cecilia projects. As a result, the Company will impair all previously capitalized costs related to the project and recognize an impairment charge of $429,487 for the period ended March 31, 2024 (Note 7(b)).

Subsequent to the year ended December 31, 2023, 1,127,500 stock options expired unexercised.