# TORQ RESOURCES INC.

**Consolidated Financial Statements**

**For the years ended December 31, 2024 and 2023**

(Expressed in Canadian dollars)

Deloitte.

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# 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 December 31, 2024 and December 31, 2023, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of 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, 2024 and December 31, 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 ("IASB").

## 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 $12,414,324 during the year ended December 31, 2024 and, as of that date, the Company has a working capital deficit of $7,377,346. 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 Matter

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, 2024. 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.

### Mineral Property Interests — Impairment – Margarita and Andrea Projects- Refer to Notes 3(f), 4(b) and 7 to the financial statements

*Key Audit Matter Description*

The Company capitalizes the costs directly related to acquiring the legal right to explore a mineral property including acquisition of licenses, mineral rights, and similar acquisition costs as mineral property interests. 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. At December 31, 2024, the Company identified impairment indicators for Margarita and Andrea Projects. Due to management's decision to focus on more advanced projects, Margarita and Andrea Projects were fully impaired and all capitalized costs related to Margarita and Andrea Projects are recorded as impairment loss.

Given the magnitude of the impairment recorded for Margarita and Andrea Projects, the performance of audit procedures over the impairment required an increased extent of audit effort.

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

Our audit procedures related to testing the impairment recorded for Margarita and Andrea Projects included the following procedures, among others:

- Evaluated management's assessment of impairment indicators for Margarita and Andrea Projects by assessing that the indicators existed; and
- Assessed that the exploration and evaluation costs capitalized to date related to Margarita and Andrea Projects were appropriately included in the impairment expense recorded.

## 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 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 Accounting Standards as issued by the IASB, 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 David Macdonald.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
April 25, 2025

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

| | Note | **December 31, 2024** | December 31, 2023 |
|---|---|---|---|
| | | **$** | $ |
| **ASSETS** | | | |
| **Current** | | | |
| Cash | | **538,284** | 487,970 |
| Amounts receivable | | **17,881** | 37,134 |
| Prepaid expenses and deposits | 12(a) | **122,223** | 559,033 |
| | | **678,388** | 1,084,137 |
| Equity investment | 5 | **100,588** | 121,991 |
| Equipment | 6 | **41,720** | 217,646 |
| Mineral property interests | 7 | **1,580,606** | 2,782,273 |
| **Total assets** | | **2,401,302** | 4,206,047 |
| **LIABILITIES** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | 12 | **2,599,134** | 1,198,982 |
| Loan facility | 9 | **2,593,480** | - |
| Loan payable | 10 | **2,639,320** | - |
| Subscription liability | 11(b) | **223,800** | - |
| | | **8,055,734** | 1,198,982 |
| Non-current portion of loan facility | 9 | **-** | 1,969,137 |
| **Total liabilities** | | **8,055,734** | 3,168,119 |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | |
| Share capital | 11(b) | **78,342,123** | 73,153,551 |
| Shares to be issued | 11(b) | **-** | 40,250 |
| Stock options and warrants reserve | | **14,297,803** | 13,890,761 |
| Accumulated other comprehensive income | | **196,339** | 29,739 |
| Deficit | | **(98,490,697)** | (86,076,373) |
| **Total shareholders' equity (deficiency)** | | **(5,654,432)** | 1,037,928 |
| **Total liabilities and shareholders' equity (deficiency)** | | **2,401,302** | 4,206,047 |

Nature of operations and going concern (Note 1)
Subsequent events (Note 17)

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

| | |
|---|---|
| */s/ "Shawn Wallace"* | */s/ "Carolina Vargas"* |
| CEO and Director | 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 number of shares)

| | Note | Years ended December 31, **2024** | 2023 |
|---|---|---|---|
| | | **$** | $ |
| **Operating expenses** | | | |
| Exploration and evaluation expenses | 8,12 | **6,479,575** | 13,293,245 |
| Fees, salaries and other employee benefits | 12 | **1,250,695** | 2,821,459 |
| Impairment of mineral property interests | 7(a), 7(b) | **2,748,961** | - |
| Legal and professional fees | 12(a) | **455,336** | 423,316 |
| Marketing and investor relations | 12(a) | **317,423** | 1,243,429 |
| Office and administration | 12(a) | **465,635** | 673,548 |
| Project investigation | 12(a) | **41,886** | 136,417 |
| Regulatory and transfer agent | | **110,397** | 109,801 |
| | | **11,869,908** | 18,701,215 |
| **Other expenses (income)** | | | |
| Accretion expense | 9 | **324,343** | 317,848 |
| Foreign exchange loss | | **12,850** | 135,100 |
| Gain on sale of equipment | 6 | **(20,682)** | - |
| Interest expense | 9,10 | **270,040** | 225,000 |
| Interest income | | **(63,538)** | (374,638) |
| Loss on extinguishment of loan facility | 9 | **-** | 202,082 |
| Net loss from equity investment | 5 | **21,403** | 5,033 |
| **Net loss for the year** | | **12,414,324** | 19,211,640 |
| **Other comprehensive loss (income)** | | | |
| Currency translation differences | | **(166,600)** | 58,251 |
| **Comprehensive loss for the year** | | **12,247,724** | 19,269,891 |
| **Net loss per share:** | | | |
| Basic and diluted | | **0.09** | 0.18 |
| **Weighted average number of common shares:** | | | |
| Basic and diluted | | **135,926,266** | 108,335,592 |

*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, | |
|---|---|---|
| | **2024** | 2023 |
| | **$** | $ |
| **Operating activities** | | |
| Net loss for the period | **(12,414,324)** | (19,211,640) |
| Adjustments for: | | |
| Accretion expense | **324,343** | 317,848 |
| Depreciation | **78,677** | 282,874 |
| Gain on sale of equipment | **(20,682)** | - |
| Impairment of mineral property interests | **2,748,961** | - |
| Interest expense | **270,040** | 225,000 |
| Interest income | **(63,538)** | (374,638) |
| Loss on extinguishment of loan facility | **-** | 202,082 |
| Net loss from equity investment | **21,403** | 5,033 |
| Share-based compensation | **227,254** | 2,184,578 |
| Unrealized foreign exchange loss | **233,269** | 1,730 |
| Changes in non-cash working capital: | | |
| Amounts receivable | **19,615** | 28,821 |
| Prepaid expenses and deposits | **444,883** | (92,260) |
| Accounts payable and accrued liabilities | **1,046,638** | (270,467) |
| **Cash used in operating activities** | **(7,083,461)** | (16,701,039) |
| | | |
| **Investing activities** | | |
| Interest income received | **63,538** | 374,638 |
| Investment in mineral property interests | **(1,303,500)** | (829,664) |
| Proceeds from sale of equipment | **126,817** | - |
| Purchase of equipment | **-** | (36,903) |
| **Cash used in investing activities** | **(1,113,145)** | (491,929) |
| | | |
| **Financing activities** | | |
| Interest paid on the loan facility | **(112,192)** | (225,000) |
| Proceeds from private placement of units, net of issuance costs | **5,345,478** | 5,401,069 |
| Proceeds from loan payable | **2,529,784** | - |
| Proceeds from loan facility | **300,000** | - |
| Proceeds from subscription liability | **223,800** | - |
| Proceeds from shares to be issued | **-** | 40,250 |
| **Cash provided by financing activities** | **8,286,870** | 5,216,319 |
| | | |
| Effect of exchange rate on changes in cash | **(39,950)** | (5,924) |
| Change in cash | **50,314** | (11,982,573) |
| Cash, beginning of year | **487,970** | 12,470,543 |
| **Cash, end of year** | **538,284** | 487,970 |
| | | |
| **Supplemental cash flows information:** | | |
| Cash income tax paid | **-** | - |
| Interest on loan facility included in accounts payable and accrued liabilities | **122,819** | - |
| Interest on loan payable included in loan payable balance | **35,029** | - |
| Unit issuance costs paid in cash | **501,380** | - |
| Unit issuance costs included in accounts payable and accrued liabilities | **17,368** | 162,936 |

*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 | Deficit | Total shareholders' equity (deficiency) |
|---|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ | $ |
| 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 finder's fee | 243,750 | 70,862 | (70,862) | - | - | - | - |
| Shares to be issued | - | - | 40,250 | - | - | - | 40,250 |
| 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 | - |
| Share-based compensation | - | - | - | 2,184,578 | - | - | 2,184,578 |
| 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 |
| Shares issued in private placement, net of share issuance costs | 28,702,160 | 5,304,907 | (40,250) | 63,453 | - | - | 5,328,110 |
| Warrants issued for finders' fees | - | (116,335) | - | 116,335 | - | - | - |
| Share-based compensation | - | - | - | 227,254 | - | - | 227,254 |
| Currency translation differences | - | - | - | - | 166,600 | - | 166,600 |
| Net loss for the year | - | - | - | - | - | (12,414,324) | (12,414,324) |
| **Balance, December 31, 2024** | **139,070,290** | **78,342,123** | **-** | **14,297,803** | **196,339** | **(98,490,697)** | **(5,654,432)** |

*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 OTCQB under the US symbol TRBMF. The head office and principal address of Torq is located at 1400 - 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5.

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

These consolidated financial statements for the years ended December 31, 2024 and 2023 (the "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, 2024, the Company has a working capital deficit of $7,377,346 (December 31, 2023 - $114,845) and an accumulated deficit of $98,490,697 (December 31, 2023 - $86,076,373). During the year ended December 31, 2024, the Company incurred a net loss of $12,414,324 (2023 - $19,211,640). The Company will require additional financing, either through equity or debt financing, sale of assets, joint venture arrangements, or a combination thereof to meet its administrative obligations and to continue to explore and develop its mineral properties. The Company has had success raising capital during the year ended December 31, 2024, closing public and private offerings for gross proceeds of $5,887,108 (Note 11(b)). There is no assurance that sufficient future funding will be available on a timely basis or on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern, and these adjustments may 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 25, 2025.

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

### 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 financial information of the Company and entities controlled by the Company. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company.

## 2. BASIS OF PREPARATION (continued)

A summary of the Company's subsidiaries included in these financial statements as at December 31, 2024 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 transactions

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 | Amortized cost |
| Amounts receivable | Amortized cost |
| Deposits | Amortized cost |
| Financial liabilities | |
| Accounts payable and accrued liabilities | Amortized cost |
| Loan facility | Amortized cost |
| Loan payable | 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).

*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, when the warrants 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 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, 2024:

<u>Classification of liabilities as current or non-current - amendments to IAS 1</u>

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments have not had an impact on the classification of the Company's liabilities

## 3. MATERIAL ACCOUNTING POLICIES (continued)

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

### p) Accounting standards issued but not yet effective

On April 9, 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements.* IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and applies to comparative information. IFRS 18 will replace IAS 1; many of the other 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 may change what an entity reports as its 'operating profit or loss'. Key new concepts introduced in IFRS 18 relate to: (i) the structure of the statement of profit or loss; (ii) required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and (iii) enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. The Company is currently assessing the effects of IFRS 18 on the financial statements.

In May 2024, the IASB issued *Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)*. These amendments updated classification and measurement requirements in IFRS 9 Financial Instruments and related disclosure requirements in IFRS 7 Financial Instruments: Disclosures. The IASB clarified the recognition and derecognition date of certain financial assets and liabilities, and amended the requirements related to settling financial liabilities using an electronic payment system. It clarified how to assess the contractual cash flow characteristics of financial assets in determining whether they meet the 'solely payments of principal and interest' criterion, including financial assets that have environmental, social and corporate governance (ESG)-linked features and other similar contingent features. The IASB added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs and amended disclosures relating to equity instruments designated at fair value through other comprehensive income. The amendments are effective for annual periods beginning on or after January 1, 2026 with early application permitted. The Company is currently assessing the effect of these amendments on the financial statements.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with IFRS Accounting Standards as issued by the IASB, requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and expenses, and related disclosures. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant areas of judgements, estimates and assumptions include:

### a) 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 judgements 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.

### b) Indications of impairment of assets

Impairment testing is done at the cash generating unit level and judgement 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 judgements and estimates to certain variables, including metal price trends, exploration plans for properties and the results of exploration and evaluation to date.

### c) 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.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### d) 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. Judgement is required in making this determination as the substance of a transaction may differ from its legal form. Once a determination is made, IFRS Accounting Standards as issued by the IASB, require that financial instruments be measured at fair value on initial recognition. For financial instruments that do not have quoted market prices or observable inputs, judgements 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), loan payable (Note 10) and shares issued pursuant to mineral property option payments (Note 11(b)).

### e) Income taxes

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

### f) Provisions

Provisions recognized in the financial statements involve judgements 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.

### g) 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, 2024 and 2023.

### h) 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.

### i) Deferred tax assets and liabilities

Management judgement and estimates are required in assessing whether deferred tax assets and deferred tax liabilities are recognized in the consolidated statements of financial position. Judgements 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 judgements 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.

(Expressed in Canadian dollars, except where noted)

## 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, an initial cash deposit of $151,000, which is held by UMS Canada for the purposes of general working capital, the unused deposit 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.

During the year ended December 31, 2024, UMS Canada entered a sublease agreement which as at December 31, 2024 reduces the Company’s future lease payments to approximately $0.1 million in respect of future lease rent for the remaining 6.5 years.

A summary of the UMS Canada’s net loss and the Company’s share of the net loss is as follows:

| | Years ended December 31, | |
|---|---|---|
| | **2024** | 2023 |
| | **$** | $ |
| Cost recoveries | **(3,507,911)** | (5,517,220) |
| Geological services | **1,208,071** | 1,907,436 |
| Administrative services | **2,385,453** | 3,629,917 |
| Net loss | **85,613** | 20,133 |
| **Net loss from equity investment** | **21,403** | 5,033 |

A continuity of the carrying amount of the Company’s investment in UMS Canada is as follows:

| | |
|---|---|
| | $ |
| Balance, December 31, 2022 | 127,024 |
| Net loss from equity investment | (5,033) |
| Balance, December 31, 2023 | 121,991 |
| Net loss from equity investment | (21,403) |
| **Balance, December 31, 2024** | **100,588** |

A summary of the Company’s equity interest in the net assets of UMS Canada as at December 31, 2024 is as follows:

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Current assets | **934,179** | 843,647 |
| Non-current assets | **2,043,427** | 2,468,384 |
| Current liabilities | **(1,344,667)** | (1,484,317) |
| Non-current liabilities | **(1,230,589)** | (1,339,752) |
| Net assets | **402,350** | 487,962 |
| **Company’s equity interest in net assets** | **100,588** | 121,991 |

(Expressed in Canadian dollars, except where noted)

## 6. EQUIPMENT

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

| | $ |
|---|---|
| **Cost** | |
| Balance, December 31, 2022 | 690,924 |
| Additions | 36,903 |
| Foreign currency translation | (300) |
| Balance, December 31, 2023 | 727,527 |
| Disposals | (335,416) |
| Foreign currency translation | 13,380 |
| **Balance, December 31, 2024** | **405,491** |
| | |
| **Accumulated depreciation** | |
| Balance, December 31, 2022 | 227,108 |
| Depreciation | 282,874 |
| Foreign currency translation | (101) |
| Balance, December 31, 2023 | 509,881 |
| Depreciation | 78,677 |
| Disposals | (229,281) |
| Foreign currency translation | 4,494 |
| **Balance, December 31, 2024** | **363,771** |
| | |
| **Carrying amount** | |
| Balance, December 31, 2023 | 217,646 |
| **Balance, December 31, 2024** | **41,720** |

During the year December 31, 2024, the Company recorded $78,677 (2023 - $282,874) of depreciation in the statements of loss and comprehensive loss. Depreciation for vehicles is included within exploration and evaluation expenses while depreciation for office equipment is included within office and administration.

During the year ended December 31, 2024, the Company recognized a gain on sale of equipment of $20,682, resulting from the disposal of vehicles with a cost of $335,416 and accumulated depreciation of $229,281 for gross proceeds of $126,817.

(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, 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 |
| Option payments | 472,920 | - | 830,580 | 1,303,500 |
| Impairment | (2,310,070) | (438,891) | - | (2,748,961) |
| Foreign currency translation | 155,110 | 9,404 | 79,280 | 243,794 |
| **Balance, December 31, 2024** | **-** | **-** | **1,580,606** | **1,580,606** |

### 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 (the "Margarita Project Option Agreement"), the Company incurred finder's 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 11(b)). These Finder's Fee Shares, with aggregate fair value of $159,969, have been recognized within equity.

<u>Margarita claims</u>

On August 5, 2024, the Company amended its Margarita Project Option Agreement to extend the option by one year and to defer each of the property payments by one year. Under the terms of the amended agreement, an additional US$300,000 (to a total of US$1,500,000), was added to the August 22, 2025 option payment and an increase of US$200,000 (to a total of US$2,200,000) was added to the August 22, 2026 option payment. In addition, Torq is required to spend at least US$1,000,000 in exploration and evaluation expenses before August 22, 2025 and an additional US$1,000,000 (to a total of USD $2,000,000) in exploration and evaluation expenses before August 22, 2026.

Under the amended agreement, the Company may acquire a 100% interest in the project by making cash option payments totaling US$6,700,000 and incurring work expenditures totaling US$5,050,000 as summarized in the table below. The Company has made, on-time, all the required option payments totaling US$500,000 to the date of these financial statements.

A summary of the Company's total required cash payments and work expenditures under the amended 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 is met) | 50,000 | 400,000 |
| August 22, 2022 (paid $155,013 and work expenditures requirement is met) | 100,000 | 1,150,000 |
| August 18, 2023 (paid $406,560 and work expenditures requirement is met) | 300,000 | 1,500,000 |
| August 22, 2025 | 1,500,000 | 1,000,000 |
| August 22, 2026 | 2,200,000 | 1,000,000 |
| August 22, 2027 | 2,500,000 | - |
| | **6,700,000** | **5,050,000** |

<u>La Cototuda Claim</u>

On February 23, 2024, the Company made a $472,920 (US$350,000) final cash payment thereby acquiring a 100% interest in the La Cototuda claim.

(Expressed in Canadian dollars, except where noted)

## 7. MINERAL PROPERTY INTERESTS (continued)

During the year ended December 31, 2024, the Margarita Project was fully impaired due to management's decision to focus on its more advanced Santa Cecilia Project. As a result, the Company recognized a $2,310,070 impairment charge related to the Margarita Project for the year ended December 31, 2024.

### 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 March 25, 2024, the Company allowed its option on the Andrea Project to lapse in order to focus and prioritize its capital allocation to its more advanced Santa Cecilia Project. As a result, the Company recognized a $438,891 impairment charge related to the project for the year ended December 31, 2024.

### 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 (the "Santa Cecilia Project") 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, the Company needs to make option payments totaling US$25,000,000 and incur work expenditure totaling US$15,500,000 as summarized in the table below. The Company has made on-time all the required option payments totaling US$1,000,000 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 is met) | - | 3,000,000 |
| October 21, 2024 (paid $830,580 and work expenditures requirement is met) | 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 meters of drilling which is a pre-requisite to exercising the option to earn 100% interest in the project. The Company has met the first two work expenditure commitments totaling US$7,500,000 by October 21, 2024. As at December 31, 2024, the Company had incurred approximately US$12,233,000 of eligible work expenditures and drilled 3,548 meters.

On July 31, 2024, the Company entered into a non-binding term sheet with an affiliate of Gold Fields Limited ("Gold Fields") with respect to a proposed option and joint venture agreement (the "Proposed Option Agreement") to advance the exploration and development of the Santa Cecilia Project. Under the Proposed Option Agreement, Gold Fields will be granted a three-stage option to acquire up to a 75% interest in Minera Santa SpA in exchange for incurring an aggregate US$48 million in project expenditures over a maximum of 6 years.

On January 17, 2025, the Company finalized the terms of the Proposed Option Agreement with Gold Fields to give effect to the Definitive Agreements (Note 17).

(Expressed in Canadian dollars, except where noted)

## 8. EXPLORATION AND EVALUATION EXPENSES

A summary of the Company's exploration and evaluation expenses for the year ended December 31, 2024 is as follows:

| | Margarita Project | Andrea Project | Santa Cecilia Project | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Community relations | 131 | - | 426,204 | **426,335** |
| Drilling | - | - | 1,484,288 | **1,484,288** |
| Environmental, permitting and concessions | 16,137 | - | 179,187 | **195,324** |
| Equipment, vehicles, rent and field supplies | 7,619 | 33 | 37,176 | **44,828** |
| Geological consulting, salaries, and wages | 712,876 | 17,063 | 1,769,462 | **2,499,401** |
| Geophysics, sampling, and assays | 5,411 | - | 195,066 | **200,477** |
| Project support | 200,904 | 22,975 | 917,663 | **1,141,542** |
| Share-based compensation | 21,825 | 1,263 | 34,088 | **57,176** |
| Travel, meals and accommodation | 116,500 | 3,202 | 310,502 | **430,204** |
| | 1,081,403 | 44,536 | 5,353,636 | **6,479,575** |

A summary of the Company's exploration and evaluation expenses for the year 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 | 1,621,897 | 2,560,026 |
| Share-based compensation | 322,666 | 17,852 | 430,893 | 771,411 |
| 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 |

## 9. LOAN FACILITY

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

| | |
|---|---|
| | $ |
| 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 |
| Accretion expense | 324,343 |
| Addition | 300,000 |
| **Balance, December 31, 2024** | **2,593,480** |
| | |
| Current portion | 2,593,480 |
| Non-current portion | - |

(Expressed in Canadian dollars, except where noted)

## 9. LOAN FACILITY (continued)

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, payable quarterly, 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.

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 during the year ended December 31, 2023. 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.

On August 26, 2024, the Company drew down $300,000 and issued 3,750,000 share purchase warrants exercisable at $0.08 per common share until July 11, 2025. Due to the loan facility having a maturity of less than year, the fair value of the draw down was deemed to be equal to the $300,000 cash received, the Company allocated $300,000 of the draw down to the loan facility based on its estimated fair value and $nil to the share purchase warrants being the residual amount.

The effective interest rate of the amended loan facility is estimated at 26.78%. During the year ended December 31, 2024, the Company incurred accretion expense in respect of the loan of $324,343 (2023 - $317,848).

During the year ended December 31, 2024, the Company has incurred interest expense in respect of the loan facility of $235,011 (2023 - $225,000).

On March 23, 2025, the Company entered into an agreement with the Lender to extend the maturity date of the Loan Facility from July 11, 2025, to July 11, 2026 (Note 17).

## 10. LOAN PAYABLE

On October 17, 2024, the Company entered into an interim loan and facility agreement (the "Loan Payable") with an affiliate of Gold Fields for an aggregate amount of $2,529,784 (US$1,810,000). Loan Payable bears interest at a rate of 9% per annum and was to mature on October 17, 2025.

On January 17, 2025, the Loan Payable, including any accrued interest, was converted to form part of the required funding under the Definitive Agreements (Note 17).

A continuity of the Company's loan payable is as follows:

| | $ |
|---|---:|
| Balance, December 31, 2023 and 2022 | - |
| Additions | 2,529,784 |
| Interest accrual | 35,029 |
| Currency translation differences | 74,507 |
| **Balance, December 31, 2024** | **2,639,320** |

During the year ended December 31, 2024, the Company incurred interest expense in respect of the loan payable of $35,029 (2023 - $nil).

## 11. 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, 2024, the Company had the following share capital transactions:

- On January 4, 2024, the Company closed a public and private offering (the "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 common share and one share purchase warrant exercisable at $0.30 per common share with 17,528,600 exercisable until January 4, 2027 and 5,678,260 exercisable until January 4, 2029. The Company attributed $5,337,578 of the gross proceeds to share capital and a residual value of $nil to the warrants issued. The Company incurred issuance costs of $601,671 comprised of cash issuance costs of $488,789 and finders' warrants with a fair value of $112,883. The Company issued 1,084,814 finders' warrants exercisable at a price of $0.23 per common share with an expiry date of January 4, 2026.

- On July 2, 2024, the Company closed the first tranche of a non-brokered private placement for gross proceeds of $464,530, through the issuance of 4,645,300 units at a price of $0.10 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each whole share purchase warrant is exercisable into one common share at an exercise price of $0.15 per common share until June 27, 2025. The Company attributed fair value of $418,077 of the gross proceeds to share capital and a residual value of $46,453 to the warrants issued. In connection with the private placement, the Company incurred cash issuance costs of $21,346 and issued 108,000 non-transferable finders' warrants with a fair value of $3,452. Each finders' warrant is exercisable at a price of $0.10 per common share and expires on July 27, 2025.

- On August 26, 2024, the Company closed the second tranche of a non-brokered private placement for gross proceeds of $85,000 through the issuance of 850,000 units at a price of $0.10 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each whole share purchase warrant is exercisable into one common share at an exercise price of $0.15 per common share until August 26, 2025. The Company attributed fair value of $68,000 of the gross proceeds to share capital and a residual value of $17,000 to the warrants issued. The Company incurred no finders' fees and issued no finders' warrants in connection with the closing of the second tranche of the private placement.

- During the year ended December 31, 2024, the Company received gross proceeds of $223,800 and incurred share issuance costs of $8,613 for a non-brokered private placement which is expected to close subsequent to year-end (Note 17).

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 and incurred share issuance costs of $175,481 for a public and private unit offering which closed subsequent to year-end on January 4, 2024.

- On March 10, 2023, the Company closed a non-brokered private placement and issued 10,433,899 units at a price of $0.60 per unit for gross proceeds of $6,260,339. Each unit consists of one common share and one half of a share purchase warrant, each whole share purchase warrant exercisable at $0.80 per common share until March 10, 2026. The Company attributed $5,738,644 of the gross proceeds to share capital and a residual value of $521,695 to the warrants issued. 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 Exchange. In connection to the private placement, the Company paid cash issuance costs of $520,853 and issued 601,034 finders' warrants with a fair value of $119,714. Each finders' warrant is exercisable at a price of $0.60 per common share and expires on March 10, 2025.

- 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)).

### c) Stock options

The Company maintains a rolling share-based option plan (the "Option Plan") providing for the issuance of share purchase options of 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 12.5% every three months thereafter for a total vesting period of 18 months.

(Expressed in Canadian dollars, except where noted)

### 11. SHARE CAPITAL (continued)

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

| | Number of options outstanding | Weighted average exercise price |
|---|---|---|
| | # | $ |
| 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 |
| Forfeited | (306,875) | 0.73 |
| Cancelled | (2,205,625) | 0.71 |
| **Balance, December 31, 2024** | **6,220,000** | **0.73** |

A summary of the Company's stock options outstanding at December 31, 2024, is as follows:

| Date of expiry | Number of options outstanding | Number of options exercisable | Weighted average exercise price | Weighted average remaining life |
|---|---|---|---|---|
| | # | # | $ | Years |
| May 25, 2025 | 400,000 | 400,000 | 0.58 | 0.40 |
| April 7, 2026 | 935,000 | 935,000 | 0.77 | 1.27 |
| September 3, 2026 | 375,000 | 375,000 | 0.82 | 1.67 |
| November 24, 2026 | 340,000 | 340,000 | 0.86 | 1.90 |
| July 19, 2027 | 422,500 | 422,500 | 0.65 | 2.55 |
| January 19, 2028 | 3,602,500 | 3,602,500 | 0.73 | 3.05 |
| February 7, 2028 | 45,000 | 45,000 | 0.62 | 3.10 |
| March 3, 2028 | 100,000 | 100,000 | 0.60 | 3.17 |
| | **6,220,000** | **6,220,000** | **0.73** | **2.43** |

A summary of the Company's share-based compensation recognized within net loss is as follows:

| | Years ended December 31, 2024 | 2023 |
|---|---|---|
| | **$** | $ |
| Exploration and evaluation expenses | **57,176** | 771,411 |
| Fees, salaries and other employee benefits | **157,889** | 1,272,818 |
| Marketing and investor relations | **9,305** | 108,298 |
| Project investigation | **2,884** | 32,051 |
| | **227,254** | 2,184,578 |

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 pricing model ("BSM") at the grant date.

A summary of the Company's weighted average inputs used in the BSM to calculate the fair value of stock options granted during the years ended December 31, 2024 and 2023 is as follows:

| | Years ended December 31, 2024 | 2023 |
|---|---|---|
| Share price | **N/A** | $0.73 |
| Exercise price | **N/A** | $0.73 |
| Risk-free interest rate | **N/A** | 2.84% |
| Expected life | **N/A** | 5 years |
| Expected volatility | **N/A** | 70.93% |
| Expected annual dividend yield | **N/A** | 0.00% |

(Expressed in Canadian dollars, except where noted)

## 11. SHARE CAPITAL (continued)

### d) Share purchase warrants

A continuity of the Company's share purchase warrant activity is as follows:

| | Number of share purchase warrants | Weighted average exercise price |
|---|---|---|
| | # | $ |
| 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 |
| Issued | 30,897,324 | 0.26 |
| **Balance, December 31, 2024** | **51,248,707** | **0.44** |

On January 4, 2024, pursuant to the Offering, the Company issued 17,528,600 share purchase warrants of which each share purchase warrant is exercisable into one common share at an exercise price of $0.30 per share purchase warrant until January 4, 2027. In addition, the Company issued 5,678,260 of which each share purchase warrant is exercisable into one common share at an exercise price of $0.30 per share purchase warrant until January 4, 2029. The Company attributed $5,337,578 of the gross proceeds to share capital and a residual value of $nil to the warrants issued. In connection with the Offering, the Company issued 1,084,814 finders' warrants with a fair value of $112,882 which was determined using the BSM. Each finders' warrant is exercisable at a price of $0.23 per share purchase warrant until January 4, 2026.

On July 2, 2024, pursuant to the first tranche of the non-brokered private placement, the Company issued 2,322,650 share purchase warrants. Each share purchase warrant is exercisable into one common share at an exercise price of $0.15 per share purchase warrant until June 27, 2025. The Company attributed fair value of $418,077 of the gross proceeds to share capital and a residual value of $46,453 to the warrants issued. In connection with the private placement, the Company issued 108,000 finders' warrants with a fair value of $3,452 which was determined using the BSM. Each finders' warrant is exercisable at a price of $0.10 per common share and expires on June 27, 2025.

On August 26, 2024, pursuant to the second tranche of the non-brokered private placement, the Company issued 425,000 share purchase warrants. Each share purchase warrant is exercisable into one common share at an exercise price of $0.15 per share purchase warrant until August 26, 2025. The Company attributed fair value of $68,000 of the gross proceeds to share capital and a residual value of $17,000 to the warrants issued.

On August 26, 2024, pursuant to the $300,000 loan facility draw down (Note 9) the Company issued 3,750,000 share purchase warrants exercisable at $0.08 per common share until July 11, 2025.

A summary of the Company's outstanding warrants as at December 31, 2024, 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 | 0.16 |
| March 10, 2025 | 601,034 | 0.60 | 0.19 |
| June 27, 2025 | 2,322,650 | 0.15 | 0.49 |
| June 27, 2025 | 108,000 | 0.10 | 0.49 |
| July 11, 2025 | 7,500,000 | 0.35 | 0.53 |
| July 11, 2025 | 3,750,000 | 0.08 | 0.53 |
| August 26, 2025 | 425,000 | 0.15 | 0.65 |
| January 4, 2026 | 1,084,814 | 0.23 | 1.01 |
| March 10, 2026 | 5,216,949 | 0.80 | 1.19 |
| January 4, 2027 | 17,528,600 | 0.30 | 2.01 |
| January 4, 2029 | 5,678,260 | 0.30 | 4.01 |
| | **51,248,707** | **0.44** | **1.44** |

(Expressed in Canadian dollars, except where noted)

## 11. SHARE CAPITAL (continued)

A summary of the Company's weighted average inputs used in the BSM to calculate the fair value of finders' warrants issued during the years ended December 31, 2024 and 2023 is as follows:

| | Years ended December 31, | |
|---|---|---|
| | **2024** | 2023 |
| Share price | **$0.23** | $0.55 |
| Exercise price | **$0.22** | $0.60 |
| Risk-free interest rate | **4.00%** | 3.97% |
| Expected life (years) | **1.91** | 2.0 |
| Expected volatility | **76.00%** | 67.09% |
| Expected annual dividend yield | **0.00%** | 0.00% |

## 12. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

### a) Related party transactions

A summary of the Company's transactions with UMS Canada, the Company's 25% equity investment (Note 5), is as follows:

| | Years ended December 31, | |
|---|---|---|
| | **2024** | 2023 |
| | **$** | $ |
| Exploration and evaluation expenses | **251,423** | 601,510 |
| Fees, salaries and other employee benefits | **284,783** | 706,857 |
| Legal and professional fees | **41,669** | 15,878 |
| Marketing and investor relations | **90,538** | 195,948 |
| Office and administration | **279,998** | 488,981 |
| Project investigation | **76** | 33,358 |
| Unit issuance costs (Note 11(b)) | **264** | 6,982 |
| | **948,751** | 2,049,514 |

As at December 31, 2024, included in the Company's accounts payable and accrued liabilities was $316,274 (December 31, 2023 - $175,417) and in prepaid expenses and deposits was $55,986 (December 31, 2023 - $298,609) 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.

The Company issues options to certain UMS Canada employees including key management personnel of the Company. During year ended December 31, 2024, the Company recognized a share-based compensation expense of $45,438 (2023 - $783,451) in respect of stock options granted to UMS Canada employees.

### b) Key management compensation

Key management personnel are those who have the authority and responsibility for planning, directing, and controlling the Company. A summary of the Company's related party transactions with key management is as follows:

| | Years ended December 31, | |
|---|---|---|
| | **2024** | 2023 |
| | **$** | $ |
| Exploration and evaluation expenses | **378,937** | 596,672 |
| Fees, salaries and other employee benefits (1) | **501,635** | 792,194 |
| Share-based compensation (Note 11(c)) | **108,881** | 1,521,526 |
| | **989,453** | 2,910,392 |

(1) During the year ended December 31, 2024, included in fees, salaries and other employee benefits was a total of $126,468 (2023 - $135,703) paid to the Company's directors for services rendered during the period.

On January 4, 2024, in connection with the Offering, three directors of the Company purchased an aggregate of 575,000 units in the Offering for gross proceeds of $132,250 (Note 11(b)).

## 12. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

On July 2, 2024, two directors of the Company purchased an aggregate of 1,500,000 units in the first tranche of the private placement for gross proceeds of $150,000 (Note 11(b)).

On August 26, 2024, one director of the Company purchased an aggregate of 850,000 units in the second tranche of the private placement for gross proceeds of $85,000 (Note 11(b)).

As at December 31, 2024, accounts payable and accrued liabilities contain amounts due to key management personnel of $443,100 (December 31, 2023 - $nil). The amounts have no specified terms of repayment and are due upon demand.

## 13. SEGMENTED INFORMATION

The Chief Operating Decision Maker ("CODM") of the Company has been identified as the Chief Executive Officer, who makes strategic decisions and allocates resources across operating segments. The CODM has determined that 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.

## 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2024, the Company's financial instruments consist of cash, amounts receivable, deposits, accounts payable and accrued liabilities, loan facility, and loan payable. All of these financial instruments are classified as and measured at amortized cost. The fair values of cash, deposits, amounts receivable, accounts payable and accrued liabilities loan facility and loan payable approximate their carrying values due to their short-term to maturity.

The Company is exposed to certain financial risks by its financial instruments. The risk exposures and their impact on the Company's financial statements 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. The Company is exposed to liquidity risk through accounts payable and accrued liabilities as well as the loan facility. 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, 2024, the Company had cash of $538,284 (December 31, 2023 - $487,970) to settle accounts payable and accrued liabilities of $2,599,134 (December 31, 2023 - $1,198,982), loan facility of $2,593,480 (December 31, 2023 - $1,969,137), and loan payable of $2,639,320 (December 31, 2024 - $nil) 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. 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

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk relates primarily to cash, deposits and amounts receivable. 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

Foreign exchange risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

## 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

A summary of the Company's financial assets and liabilities that are denominated in the US dollar and the Chilean peso as at December 31, 2024, expressed in Canadian dollars, is as follows:

| | USD | CLP |
|---|---|---|
| | $ | $ |
| **Financial assets** | | |
| Cash | 45 | 472,910 |
| Amounts receivable | - | 16,923 |
| | | |
| **Financial liabilities** | | |
| Accounts payable and accrued liabilities | (143,443) | (1,301,054) |
| Loan payable | (2,639,320) | - |
| **Net financial liabilities** | **(2,782,718)** | **(811,221)** |

A 10% increase or decrease in the US dollar and Chilean peso exchange rates relative to the Companies and its subsidiaries' functional currencies would result in an impact of approximately $340,914 to the Company's loss and comprehensive loss.

## 15. 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 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.

## 16. INCOME TAX

A summary of the Company's reconciliation of income taxes at statutory rates is as follows:

| | Years ended December 31, | |
|---|---|---|
| | **2024** | 2023 |
| | **$** | $ |
| Loss before income taxes | **(12,414,324)** | (19,211,640) |
| | | |
| Expected income tax recovery | **(3,351,869)** | (5,187,144) |
| Increase (decrease) in income tax recovery resulting from: | | |
| Share issuance costs | **(140,062)** | (188,010) |
| Differences in future and foreign jurisdiction tax rates | **(471,361)** | 168,336 |
| Non-deductible expenses and other | **615,308** | 1,069,144 |
| Adjustment to prior years provision versus statutory returns | **633,318** | (213,408) |
| Temporary differences originated in the year | **-** | 37,538 |
| Change in unrecognized deferred tax assets | **2,714,666** | 4,313,544 |
| **Income tax recovery** | **-** | - |

(Expressed in Canadian dollars, except where noted)

## 16. INCOME TAX (continued)

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, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Exploration and evaluation assets | **14,627,667** | 11,000,554 |
| Non-capital losses carried forward | **47,608,145** | 42,711,336 |
| Capital losses carried forward | **2,598,952** | 2,273,151 |
| Share issuance costs and other | **3,417,338** | 772,873 |
| | **68,252,102** | 56,757,914 |

As at December 31, 2024, the Company has accumulated non-capital losses of $23,675,597 in Canada (December 31, 2023 - $23,050,661) 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 2027 and 2044. The Company has non-capital losses in Chile of $23,932,548 (December 31, 2023 - 19,660,675) which carryforward and do not expire.

As at December 31, 2024, the Company has accumulated capital losses of $2,598,952 in Canada (December 31, 2023 - $2,273,151) which may be carried forward indefinitely and do not expire.

## 17. SUBSEQUENT EVENTS

On January 17, 2025, the Company entered into an option and joint venture shareholders agreement (the "JV Agreement") as well as a Chilean option agreement (the "Chilean Option Agreement", together with the JV Agreement the "Definitive Agreements") with Gold Fields.

Under the Definitive Agreements, Gold Fields retains the option to acquire 75% interest in Minera Santa SpA by funding an aggregate amount of US$48 million as follows:

- Initial Equity Interest - A 10% interest by funding US$6 million of exploration expenditures, property payments and other expenses by July 17, 2027.
- First Option - An additional 41% interest by funding an additional US$12 million of exploration expenditures, property payments and other expenses by July 17, 2027; and
- Second Option - A final 24% interest by funding a further US$30 million exploration expenditures, property payments and other expenses by January 17, 2031.

Pursuant to the execution of the Definitive Agreements, the outstanding balance of the Loan Payable of $2,639,320, as at December 31, 2024 (Note 10), will form part of the required funding under the Initial Equity Interest and will be converted to a capital contribution in Minera Santa SpA once the remaining portion of the US$6 million funding commitment is met.

On March 23, 2025, the Company entered into an agreement with the Lender to extend the maturity date of the Loan Facility from July 11, 2025, to July 11, 2026 (Note 9). In consideration of the extension, the Company agreed to replace the 7,500,000 share purchase warrants that were previously issued to the Lender with 46,666,667 common share purchase warrants exercisable at $0.06 per common share until July 11, 2026. In addition, the interest rate on the Loan Facility will increase to 12% per annum from 9% per annum starting July 11, 2025, and the Lender will receive a $30,000 payment in consideration of a recent security priority waiver and a default waiver.

On March 25, 2025, the Company announced a non-brokered private placement for gross proceeds of $2,000,000, through the issuance of 33,333,333 units at a price of $0.06 per unit. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable into one common share at an exercise price of $0.12 per common share at any time on or before the date which is 24 months from closing.

On March 25, 2025, the Company announced its intention to settle certain account payable balances in shares, this settlement is expected to close in conjunction with the aforementioned private placement, subject to Exchange approval.