TIER ONE SILVER

(An exploration stage business)

# TIER ONE SILVER INC.

## Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

(Unaudited)

# Tier One Silver Inc.

Condensed Consolidated Interim Statements of Financial Position
Unaudited (Expressed in Canadian dollars)

| | As at September 30, 2022 | As at December 31, 2021 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash | **$ 3,041,696** | $ 2,589,858 |
| Accounts receivable | **34,078** | 22,911 |
| Prepaid expenses and deposits (Note 3) | **963,491** | 764,328 |
| | **4,039,265** | 3,377,097 |
| **Non-current assets:** | | |
| Prepaid expenses and deposits (Note 3) | **41,815** | 100,282 |
| Equipment | **52,304** | 57,346 |
| Mineral property interests (Note 4) | **2,610,659** | 2,546,431 |
| Equity investments (Note 5) | **108,016** | - |
| **Total assets** | **$ 6,852,059** | $ 6,081,156 |
| **Liabilities and Equity** | | |
| **Current liabilities:** | | |
| Accounts payable and accrued liabilities | **$ 684,122** | $ 798,753 |
| Provision for site reclamation and closure | **305,867** | 282,905 |
| | **989,989** | 1,081,658 |
| **Non-current liabilities:** | | |
| Provision for site reclamation and closure | **213,520** | 197,490 |
| **Total liabilities** | **$ 1,203,509** | $ 1,279,148 |
| **Equity:** | | |
| Share capital (Note 6) | **$ 27,031,612** | $ 21,103,601 |
| Share option and warrant reserves | **3,991,958** | 3,020,459 |
| Accumulated other comprehensive loss | **(99,959)** | (193,647) |
| Deficit | **(25,275,061)** | (19,128,405) |
| **Total equity** | **5,648,550** | 4,802,008 |
| **Total liabilities and equity** | **$ 6,852,059** | $ 6,081,156 |

Going concern (Note 1(c)); Commitment (Note 5); Subsequent event (Note 4)

Approved on behalf of the Board of Directors:

*"Peter Dembicki"*
President, CEO & Director

*"Steve Cook"*
Director

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

# Tier One Silver Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
Unaudited (Expressed in Canadian dollars)

| | Three months ended September 30, **2022** | Three months ended September 30, 2021 | Nine months ended September 30, **2022** | Nine months ended September 30, 2021 |
|---|---|---|---|---|
| **Operating expenses:** | | | | |
| Exploration and evaluation | **$ 1,131,953** | $ 4,112,983 | **$ 2,584,951** | $ 6,343,355 |
| Fees, salaries and other employee benefits | **430,097** | 937,920 | **1,662,530** | 2,433,126 |
| Legal and professional | **58,917** | 42,163 | **281,359** | 404,751 |
| Marketing and investor relations | **410,023** | 316,835 | **1,026,734** | 803,428 |
| Office and administration | **101,516** | 176,720 | **336,938** | 347,025 |
| Project investigation | **11,683** | 46,445 | **37,922** | 84,576 |
| Regulatory and transfer agent | **16,950** | 22,364 | **75,992** | 109,016 |
| Mineral property impairment (Note 4(iii)) | **-** | - | **102,352** | 1,689,719 |
| Costs related to Huilacollo Option termination (Note 4(iii)) | **-** | 27,167 | **-** | 232,440 |
| | **2,161,139** | 5,682,597 | **6,108,778** | 12,447,436 |
| **Other expenses (income):** | | | | |
| Foreign exchange loss (gain), net | **6,567** | 15,738 | **(5,274)** | 45,087 |
| Net loss from equity investments (Note 5) | **7,440** | - | **43,152** | - |
| **Loss for the period** | **$ 2,175,146** | $ 5,698,335 | **$ 6,146,656** | $ 12,492,523 |
| **Other comprehensive (income) loss:** | | | | |
| Unrealized currency (gain) loss on translation | **(80,786)** | (33,311) | **(93,688)** | 46,575 |
| **Comprehensive loss for the period** | **$ 2,094,360** | $ 5,665,024 | **$ 6,052,968** | $ 12,539,098 |
| Basic and diluted loss per share | **$ 0.02** | $ 0.05 | **$ 0.05** | $ 0.10 |
| Basic and diluted weighted average number of shares outstanding | **139,530,923** | 125,794,897 | **131,565,788** | 122,827,001 |

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

# Tier One Silver Inc.

Condensed Consolidated Interim Statements of Changes in Equity
Unaudited (Expressed in Canadian dollars, except share amounts)

| | Number of common shares | | Share capital | | Share option and warrant reserve | | Accumulated other comprehensive loss | | Deficit | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2020 | 112,340,434 | $ | 7,980,154 | $ | - | $ | (124,416) | $ | (1,643,203) | $ | 6,212,535 |
| Shares issued pursuant to offering, net of share issue costs | 13,454,463 | | 13,123,447 | | - | | - | | - | | 13,123,447 |
| Share-based compensation (Note 7(a)) | - | | - | | 2,311,788 | | - | | - | | 2,311,788 |
| Other comprehensive loss | - | | - | | - | | (46,575) | | - | | (46,575) |
| Loss for the period | - | | - | | - | | - | | (12,492,523) | | (12,492,523) |
| Balance at September 30, 2021 | 125,794,897 | $ | 21,103,601 | $ | 2,311,788 | $ | (170,991) | $ | (14,135,726) | $ | 9,108,672 |
| | | | | | | | | | | | |
| **Balance at December 31, 2021** | **125,794,897** | **$** | **21,103,601** | **$** | **3,020,459** | **$** | **(193,647)** | **$** | **(19,128,405)** | **$** | **4,802,008** |
| Share-based compensation (Note 7(a)) | **-** | | **-** | | **865,495** | | **-** | | **-** | | **865,495** |
| Units issued pursuant to offering, net of share issue costs (Note 6) | **13,736,026** | | **5,928,011** | | **106,004** | | **-** | | **-** | | **6,034,015** |
| Other comprehensive income | **-** | | **-** | | **-** | | **93,688** | | **-** | | **93,688** |
| Loss for the period | **-** | | **-** | | **-** | | **-** | | **(6,146,656)** | | **(6,146,656)** |
| **Balance at September 30, 2022** | **139,530,923** | **$** | **27,031,612** | **$** | **3,991,958** | **$** | **(99,959)** | **$** | **(25,275,061)** | **$** | **5,648,550** |

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

## Tier One Silver Inc.

Condensed Consolidated Interim Statements of Cash Flows
Unaudited (Expressed in Canadian dollars)

| | Three months ended September 30, 2022 | Three months ended September 30, 2021 | Nine months ended September 30, 2022 | Nine months ended September 30, 2021 |
|---|---|---|---|---|
| **Operating activities:** | | | | |
| Loss for the period | **$ (2,175,146)** | $ (5,698,335) | **$ (6,146,656)** | $ (12,492,523) |
| Non-cash transactions: | | | | |
| Impairment of mineral property (Note 4(iii)) | **-** | - | **102,352** | 1,689,719 |
| Share-based compensation (Note 7(a)) | **233,636** | 1,010,768 | **865,495** | 2,311,788 |
| Depreciation | **2,593** | 2,327 | **9,105** | 7,187 |
| Net loss from equity investments (Note 5) | **7,440** | - | **43,152** | - |
| Unrealized foreign exchange gain | **(11,942)** | (4,096) | **(24,404)** | (4,492) |
| Huilacollo option termination | - | (42,765) | - | 162,508 |
| Changes in non-cash working capital: | | | | |
| Accounts receivable | **12,542** | 7,943 | **(11,167)** | (7,718) |
| Prepaid expenses and deposits | **(83,476)** | 6,472 | **(274,680)** | (765,428) |
| Accounts payable and accrued liabilities | **(44,382)** | 1,353,189 | **(145,480)** | 1,748,776 |
| **Cash used in operating activities** | **(2,058,735)** | (3,364,497) | **(5,582,283)** | (7,350,183) |
| **Investing activities:** | | | | |
| Mineral property additions (Note 4) | **-** | (763) | **(27,297)** | (613,509) |
| Equity investment (Note 5) | **(168)** | - | **(1,168)** | - |
| **Cash used in investing activities** | **(168)** | (763) | **(28,465)** | (613,509) |
| **Financing activities:** | | | | |
| Proceeds from issuance of securities, net of share issue costs (Note 6) | **-** | - | **6,034,015** | 13,141,813 |
| **Cash provided by financing activities** | **-** | - | **6,034,015** | 13,141,813 |
| Effect of foreign exchange rate changes on cash | **17,833** | 8,943 | **28,571** | (8,320) |
| (Decrease) increase in cash | **(2,041,070)** | (3,356,317) | **451,838** | 5,169,801 |
| Cash, beginning of the period | **5,082,766** | 11,255,456 | **2,589,858** | 2,729,338 |
| **Cash, end of the period** | **$ 3,041,696** | $ 7,899,139 | **$ 3,041,696** | $ 7,899,139 |

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

## 1. Business Overview

(a) Corporate information

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

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

These condensed consolidated interim financial statements were approved and authorized for issuance on November 22, 2022, by the Board of Directors.

(b) Nature of operations

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

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

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

(c) Going Concern

As at September 30, 2022, the Company had net working capital of $3,049,276 and incurred a loss of $6,146,656 for the nine months then ended. The Company has no operating revenue to date and no operating cash flows to support its activities. With no source of operating cash flow, there is no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. Although the Company has had success raising capital in the past, and on June 16, 2022, closed a non-brokered private placement for gross proceeds of $6.18 million (the "2022 Private Placement" see Note 6), the ability to continue as a going concern remains dependent upon its continued ability to obtain the financing necessary to fund its mineral properties, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. These conditions create a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations.

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

## 2. Basis of presentation

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's audited consolidated financial statements for the year ended December 31, 2021, except for the following:

**Equity investments**

The Company conducts a portion of its business through equity interests in an associate and a joint venture. An associate is an entity over which the Company has significant influence and is neither a subsidiary nor a joint venture. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policy decisions. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control exists only when the decisions about relevant activities require the unanimous consent of the parties that control the arrangement.

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

(b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis.

(c) Basis of consolidation

Subsidiaries are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns. These condensed consolidated interim financial statements reflect adjustments in all historical periods as if the subsidiaries had always been controlled by the Company.

The consolidated financial statements include the financial statements of the Company and its subsidiaries (the "Peruvian Subsidiaries") as follows:

| Subsidiary | Place of incorporation | Functional Currency | Beneficial Interest |
|---|---:|---:|---:|
| Corisur Peru, S.A.C. ("Corisur") | Peru | USD | 100% |
| Magma Minerals, S.A.C. ("Magma") | Peru | USD | 100% |

These condensed consolidated interim financial statements include a 50% investment in Universal Mineral Services Peru S.A.C. (“UMS Peru”) and a 25% investment in Universal Mineral Services Ltd. (“UMS Canada”) (Note 5).

Intercompany balances and transactions have been eliminated on consolidation.

(d) Functional and presentation currency

The Company’s functional and presentation currency is the Canadian dollar. These condensed consolidated interim financial statements are presented in Canadian dollars, unless otherwise noted. Amounts denominated in US dollars are denoted as US$.

(e) Critical accounting judgments and estimates

The preparation of condensed consolidated interim financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the condensed consolidated interim financial statements. Estimates are continuously evaluated and are based on management’s experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates. The Company’s critical accounting judgments and estimates were presented in Note 2 of the audited annual consolidated financial statements for the year ended December 31, 2021 and have been consistently applied in the preparation of these condensed consolidated interim financial statements. No new estimates and judgments were applied for the period ended September 30, 2022.

## 3. Prepaid expenses and deposits

| | **September 30, 2022** | December 31, 2021 |
|---|---|---|
| **Prepaid expenses and deposits related to:** | | |
| Community and surface agreements | **$ 139,524** | $ 198,079 |
| Exploration and evaluation | **53,746** | 71,721 |
| General, administration and marketing | **543,244** | 164,033 |
| UMS Canada and UMS Peru | **268,792** | 430,777 |
| **Total prepaid expenses and deposits** | **$ 1,005,306** | $ 864,610 |
| Current portion | **963,491** | 764,328 |
| Non-current portion | **$ 41,815** | $ 100,282 |

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

In accordance with the respective service agreements, the Company makes short-term advances to UMS Canada and UMS Peru in relation to geological and administrative services provided thereunder. Upon the acquisition of the share of UMS Canada on April 1, 2022, $150,000 was reclassified from prepaid expenses and deposits to the equity investment (Note 5).

Unaudited (Expressed in Canadian dollars)

## 4. Mineral property interests

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

| **Mineral property interests** | **Curibaya** | **Hurricane** | **Other** | **Total** |
|---|---|---|---|---|
| Balance as at December 31, 2020 | $ 986,711 | $ - | $2,701,198 | $ 3,687,909 |
| Mineral property additions | 29,402 | 235,267 | 350,924 | 615,593 |
| Mineral property impairment | - | - | (2,041,437) | (2,041,437) |
| Recognition of provision for site reclamation and closure | 313,312 | - | - | 313,312 |
| Currency translation adjustment | (7,374) | 349 | (21,921) | (28,946) |
| Balance as at December 31, 2021 | $ 1,322,051 | $ 235,616 | $ 988,764 | $ 2,546,431 |
| **Mineral property additions** | **213** | **26,287** | **797** | **27,297** |
| **Mineral property impairment** | **-** | **-** | **(106,506)** | **(106,506)** |
| **Currency translation adjustment** | **65,236** | **4,661** | **73,540** | **143,437** |
| **Balance as at September 30, 2022** | **$ 1,387,500** | **$ 266,564** | **$ 956,595** | **$ 2,610,659** |

The Company's projects, located in southern Peru, are outlined below:

i) Curibaya

Curibaya is a wholly-owned project that covers approximately 17,000 hectares ("ha") in southern Peru located 48 kilometres ("km") from the provincial capital, Tacna.

The Company incurred $876,662 and $2,080,678 of exploration and evaluation costs on Curibaya during the three and nine months ended September 30, 2022, respectively ($3,968,185 and $5,634,552 for the three and nine months ended September 30, 2021, respectively).

ii) Hurricane

On April 28, 2021, the Company entered into a share purchase option agreement (the "Pembrook Option") with Pembrook Copper Corp. ("Pembrook") to acquire Pembrook's Peruvian subsidiary, Compañia Minera Tororume S.A.C. ("Tororume") which owns the Hurricane project located approximately 66 km north of the city of Cusco in southeastern Peru. In addition to the 25,640 ha acquired under the Pembrook Option, the Company staked additional concessions expanding the Hurricane project area to approximately 30,000 ha.

Under the terms of the Pembrook Option, Tier One has the option to acquire 90% or 100% of the shares of Tororume by making certain payments to Pembrook and by incurring certain amounts of exploration work on the project within the five-year period measured from a defined Access Date. The Access Date was to be the earlier of October 31, 2022, or the date by which the Company secured the necessary surface rights and governmental permits to commence diamond drilling. As of September 30, 2022, only the surface rights had been secured (with two local communities) and as such, effective October 31, 2022, the Company amended the Pembrook Option to defer the Access Date to October 31, 2023 (unless the drill permit is obtained first). In consideration of this extension, the Company paid Pembrook US$75,000 as an advance of the first option payment that will be due on the 1st anniversary date of the Access Date should the Company continue with the option. If the Company is unable to obtain its drill permit by October 31, 2023, the Company has the ability to either terminate the option or commit to incur the first year of work expenditures in the table below (or pay them to Pembrook in lieu).

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

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

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

During the three and nine months ended September 30, 2022, the Company incurred $226,512 and $511,349, respectively, of exploration and evaluation costs on the Hurricane project ($74,999 for both the three and nine months ended September 30, 2021) and as of September 30, 2022 a total of $634,101 (US$496,017) has been incurred in respect of the US$750,000 work expenditure required by the 1st Anniversary of the Access Date.

iii) Other

*Corisur Claims*

On April 24, 2021, the Company gave notice to terminate its option to acquire the Huilacollo 1 & 2 concessions thus eliminating any further payments related thereto. As a result, during the nine months ended September 30, 2021, the Company recorded an impairment of $1,689,719 against the full value of the mineral property interests related to these two concessions. Furthermore, the Company recorded a provision of $182,303 (US$133,000) for final costs relating to the termination of the Huilacollo option agreement which is presented within the current portion of the provision for site reclamation and closure costs on the consolidated statement of financial position as at September 30, 2022.

During the nine months ended September 30, 2022, the Company made the decision to abandon approximately 11,500 hectares of non-core claims within the Corisur land package and wrote off $4,186 of cost associated with these claims. As at September 30, 2022, Tier One continues to hold the rights to the Tacora, Tacora Sur and Andamarca concessions, the costs of which remain on the consolidated statement of financial position within mineral property interest. The Corisur claims, which are now grouped within "other" in the table above, are located in the border zone, and as a result unconditional ownership can only be achieved in the future by obtaining a Supreme Decree. No assurance can be given with respect to the timing or certainty of receipt of a Supreme Decree.

*Coastal Batholith*

Coastal Batholith is a wholly-owned project on the coast of Peru. As the project was acquired through staking, there are no work expenditure requirements. As at September 30, 2022 the project covers approximately 15,000 ha, after the Company relinquished the remaining claims, and recorded an impairment of $98,166 during the nine months ended September 30, 2022.

*Exploration and Evaluation Costs*

On its properties that are grouped as other, namely the Coastal Batholith and Corisur claims, the Company recorded an exploration and evaluation cost of $28,779 during the three months ended September 30, 2022 and a cost recovery of $7,076 during nine months ended September 30, 2022, resulting from the reversal of 2021 accrued validity fees for the claims that were relinquished in June 2022 (exploration and evaluation costs during the three and nine months ended September 30, 2021 were $69,799 and $633,804, respectively, which at that time also included the Emilia project).

## 5. Equity investments

Investment in Associate - UMS Canada

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

UMS Canada is located in Vancouver, BC and provides geological, financial and transactional advisory services as well as administrative services to the Company and three other companies on a cost recovery basis. Having these services available through UMS Canada on an as needed basis, allows the Company to maintain a more efficient and cost-effective corporate overhead structure by hiring fewer full-time employees and engaging outside professional advisory firms less frequently. The service agreement with UMS Canada has an indefinite term and can be terminated by each participating company upon providing due notice. UMS Canada is party to an office lease agreement with a term of ten years, for which certain rent expenses will be payable by the Company. As at September 30, 2022, the Company expects to incur approximately $1.1 million in respect of future lease rent for the remaining 8.75 years.

Investment in Joint Venture - UMS Peru

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

Unaudited (Expressed in Canadian dollars)

UMS Peru is a company incorporated under Peruvian law, which provides administrative and geological services to Corisur S.A.C and Magma Minerales S.A.C. and to the Peruvian subsidiary of Coppernico. In order to comply with Peruvian transfer pricing rules, UMS Peru charges its services at cost plus a markup of 5% for administrative services and 7% for geological services.

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

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

| **For the three months ended September 30, 2022** | **UMS Canada** | **UMS Peru** |
|---|---|---|
| Cost recoveries | $ (1,212,261) | $ (324,924) |
| Geological services | 476,403 | 208,662 |
| Administrative services | 772,694 | 112,724 |
| Net loss (income) for the period since investment | 36,836 | (3,537) |
| **Company's share of net loss (income) for the period ended September 30, 2022** | **$ 9,209** | **$ (1,769)** |

| **For the nine months ended September 30, 2022** | **UMS Canada** | **UMS Peru** |
|---|---|---|
| Cost recoveries | $ (2,901,840) | $ (570,673) |
| Geological services | 1,141,426 | 386,632 |
| Administrative services | 1,936,586 | 182,258 |
| Net loss (income) for the period since investment | 176,172 | (1,782) |
| **Company's share of net loss (income) for the period ended September 30, 2022** | **$ 44,043** | **$ (891)** |

The carrying amounts of the Company's investments in UMS Canada and UMS Peru as at September 30, 2022 were as follows:

| | **UMS Canada** | **UMS Peru** |
|---|---|---|
| Acquisition of equity investment | $ 151,000 | $ 168 |
| Company's share of net (loss) income | (44,043) | 891 |
| **Carrying amount as at September 30, 2022** | **$ 106,957** | **$ 1,059** |

The Company's equity interest in net assets and liabilities of UMS Canada and UMS Peru at September 30, 2022, were as follows:

| | **UMS Canada** | **UMS Peru** |
|---|---|---|
| Current assets | $ 846,842 | $ 141,755 |
| Non-current assets | 2,841,631 | 157,336 |
| Current liabilities | (1,765,152) | (296,973) |
| Non-current liabilities | (1,495,494) | - |
| Net assets 100% | 427,828 | 2,118 |
| **Company's equity interest in net assets and liabilities** | **$ 106,957** | **$ 1,059** |

Unaudited (Expressed in Canadian dollars)

(b) Services rendered and balances

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

| | | Three months ended September 30, 2022 | | Three months ended September 30, 2021 | | Nine months ended September 30, 2022 | | Nine months ended September 30, 2021 |
|---|---|---|---|---|---|---|---|---|
| Exploration and evaluation | **$** | **235,963** | $ | 259,476 | **$** | **766,720** | $ | 509,778 |
| Project investigation | | **7,451** | | 1,811 | | **21,002** | | 11,485 |
| Marketing and investor relations | | **25,377** | | 24,417 | | **50,295** | | 71,332 |
| General and administration | | **248,299** | | 253,451 | | **822,945** | | 626,443 |
| **Total transactions for the period** | **$** | **517,090** | $ | 539,155 | **$** | **1,660,962** | $ | 1,219,038 |

As at September 30, 2022, $102,668 (December 31, 2021 - $111,901) was included in accounts payable and $220,000 (December 31, 2021 - $419,553) in prepaid expenses and deposits relating to transactions with UMS Canada; upon the acquisition of the share of UMS Canada in April 2022, $150,000 was reclassified to the equity investment.

As at September 30, 2022, $8,230 (December 31, 2021 - nil) was included in accounts payable and $48,791 (December 31, 2021 - $64,879) in prepaid expenses and deposits relating to transactions with UMS Peru.

(c) Key management compensation

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

| | | Three months ended September 30, 2022 | | Three months ended September 30, 2021 | | Nine months ended September 30, 2022 | | Nine months ended September 30, 2021 |
|---|---|---|---|---|---|---|---|---|
| Salary and benefits provided to executives | **$** | **164,067** | $ | 248,696 | **$** | **563,546** | $ | 596,049 |
| Fees paid to non-executive directors | | **42,477** | | 57,974 | | **164,886** | | 158,712 |
| Share-based compensation | | **92,932** | | 647,048 | | **495,195** | | 1,627,641 |
| | **$** | **299,476** | $ | 953,718 | **$** | **1,223,627** | $ | 2,382,402 |

On April 1, 2022, the Company entered into a shared services agreement with UMS Canada. Under the agreement, the Company's Chief Financial Officer and Chief Geologist terminated their direct employment status with the Company, became employed by UMS Canada and entered into secondment employment arrangements between the Company and UMS Canada.

## 6. Share capital

(a) Authorized

Unlimited common shares without par value.

(b) Common share issuances

On June 16, 2022, the Company closed the 2022 Private Placement issuing 13,736,026 units at a price of $0.45 per unit for gross proceeds of $6,181,212. Each unit consisted of a common share and a three-year share purchase warrant, exercisable at $0.75. Share issuance costs including customary referral fees amounted to $147,197.

Unaudited (Expressed in Canadian dollars)

The Company applied the residual value approach to allocate the proceeds received from the unit offering to their respective components (shares and warrants). Using this approach, the Company attributed a residual value of $106,004 to the warrants issued.

A reconciliation of the impact of the 2022 Private Placement on share capital is as follows:

| | Number of common shares | Impact on share capital |
|---|---|---|
| Units issued at $0.45 per unit | **13,736,026** | **$ 6,181,212** |
| Share issuance costs | | (147,197) |
| Proceeds net of share issue costs | | 6,034,015 |
| Residual value of warrants | | (106,004) |
| **Impact on share capital** | **13,736,026** | **$ 5,928,011** |

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

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

## 7. Share option and warrant reserve

a. Shared-based options

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

The continuity of the number of share options issued and outstanding is as follows:

| | Number of share options | Weighted average exercise price |
|---|---|---|
| Outstanding, January 1, 2021 | - | $ - |
| Granted | 8,140,000 | 1.01 |
| Expired | (21,250) | 1.00 |
| Forfeited | (148,750) | 1.00 |
| December 31, 2021 | 7,970,000 | $ 1.01 |
| Expired | **(278,125)** | **1.04** |
| Forfeited | **(496,875)** | **1.07** |
| **Outstanding, September 30, 2022** | **7,195,000** | **$ 1.01** |

Unaudited (Expressed in Canadian dollars)

As at September 30, 2022, the number of share options outstanding and exercisable was:

| | Outstanding | | | Exercisable | | |
|---|---|---|---|---|---|---|
| **Expiry date** | **Number of options** | **Exercise price** | **Remaining contractual life (years)** | **Number of options** | **Exercise price** | **Remaining contractual life (years)** |
| April 8, 2026 | 6,870,000 | $ 1.00 | 3.52 | 4,293,750 | $ 1.00 | 3.52 |
| April 29, 2026 | 200,000 | 1.00 | 3.58 | 125,000 | 1.00 | 3.58 |
| June 22, 2026 | 125,000 | 1.44 | 3.73 | 78,125 | 1.44 | 3.73 |
| | 7,195,000 | $ 1.01 | 3.53 | 4,496,875 | $ 1.01 | 3.53 |

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and other service providers. There were no share options granted during the three and nine months ended September 30, 2022 (three and nine months ended September 30, 2021 – nil and 8,140,000, respectively), however, 496,875 share options were forfeited during the nine month period and as a result, the Company has reversed the amount of share-based compensation previously recorded in relation to those forfeited share options.

During the three and nine months ended September 30, 2022, the Company recognized share-based compensation expense net of forfeiture recovery as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Recognized in net loss: | | | | |
| Exploration and evaluation | **$ 48,956** | $ 297,845 | **$ 72,359** | $ 651,946 |
| Fees, salaries and other employee benefits | **168,037** | 646,288 | **730,788** | 1,521,464 |
| Marketing and investor relations | **12,436** | 47,335 | **47,756** | 111,107 |
| Project investigation | **4,207** | 19,300 | **14,592** | 27,271 |
| | **$ 233,636** | $ 1,010,768 | **$ 865,495** | $ $2,311,788 |

b. Share purchase warrants

As at September 30, 2022, the Company had 13,736,026 share purchase warrants outstanding which have a term of three years and are exercisable at $0.75 (December 31, 2021 – nil). As discussed in Note 6 (b) an amount of $106,004 has been attributed to the warrants and recorded within share option and warrant reserve.

## 8. Financial instruments

The Company's financial instruments consist of cash, accounts receivable, deposits, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The following summarizes the fair value hierarchy under which the Company's financial instruments are valued:

**Level 1** – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities.

**Level 2** – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and

**Level 3** – fair values based on inputs for the asset or liability that are not based on observable market data.

Unaudited (Expressed in Canadian dollars)

As at September 30, 2022 and December 31, 2021 there were no financial instruments measured at fair value.

The Company's financial instruments are exposed to liquidity risk, credit risk and market risk, which includes currency risk. As at September 30, 2022, the primary risks were as follows:

(a) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's primary source of liquidity is equity financing. The funds are primarily used to finance working capital and to make certain annual payments to ensure that all the Company's mineral properties remain in good standing. In June 2022, the Company paid US$201,171 for the 2021 concession holding fees, and US$133,060 has been recorded within accounts payable related to the 2022 concession holding fees which are due in June 2023. The Company has working capital of $3,049,276 (December 31, 2021 - $2,295,439) and cash of $3,041,696 (December 31, 2021 - $2,589,858), which is entirely unrestricted.

(b) Credit risk

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

(c) Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Significant market risk to which the Company is exposed is as follows:

i. Currency risk

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency (the functional currency of each of Corisur and Magma is the US dollar). As at September 30, 2022 and December 31, 2021, the Company's foreign currency exposure relates primarily to cash, and accounts payable and accrued liabilities that are in either US dollars or Peruvian soles.

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

| | | **September 30, 2022** | | December 31, 2021 |
|---|---|---|---|---|
| Financial assets | $ | 5,791 | $ | 64,987 |
| Financial liabilities | | (73,549) | | (66,652) |
| **Net exposure** | **$** | **(67,758)** | **$** | (1,665) |

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

## 9. Segmented information

The Company operates as one operating segment, being the acquisition and exploration of mineral resource properties.

Unaudited (Expressed in Canadian dollars)

## 10. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition and exploration of resource properties, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The capital of the Company is determined as follows:

| | **September 30, 2022** | December 31, 2021 |
|---|---|---|
| Equity | **$ 5,648,550** | $ 4,802,008 |
| Less cash | **(3,041,696)** | (2,589,858) |
| | **$ 2,606,854** | $ 2,212,150 |

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends, does not have any long-term debt and is not subject to any externally imposed capital requirements.

On June 16, 2022, the Company closed the 2022 Private Placement for gross proceeds of $6.18 million which provides the Company with sufficient working capital to meet its ongoing current obligations as they become due. The Company will require additional capital in the future to meet its company objectives, being the acquisition and exploration of mineral properties. Future liquidity will depend upon the Company's ability to arrange additional debt or equity financing, as the Company relies on equity financing to fund its exploration and corporate activities.