Tier One Silver Inc.

Consolidated Financial Statements

For the years ended December 31, 2021, and 2020

Deloitte.

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Independent Auditor's Report

To the Shareholders and the Board of Directors of
Tier One Silver Inc.

Opinion

We have audited the consolidated financial statements of Tier One Silver Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company had no operating revenue and incurred a net loss of $17,485,202 during the year ended December 31, 2021. 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.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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 28, 2022

Tier One Silver Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		As at December 31, 2021		As at December 31, 2020
Assets				
Current assets:				
Cash	**$**	**2,589,858**	$	2,729,338
Accounts receivable		**22,911**		13,471
Prepaid expenses and deposits (Note 4)		**764,328**		148,323
		3,377,097		2,891,132
Non-current assets:				
Prepaid expenses and deposits (Note 4)		**100,282**		106,812
Equipment		**57,346**		10,456
Mineral property interests (Note 5)		**2,546,431**		3,687,909
Total assets	**$**	**6,081,156**	$	6,696,309
Liabilities and Equity				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**798,753**	$	483,774
Provision for site reclamation and closure (Note 6)		**282,905**		-
		1,081,658		483,774
Non-current liabilities:				
Provision for site reclamation and closure (Note 6)	**$**	**197,490**	$	-
Total liabilities		**1,279,148**		483,774
Equity:				
Share capital (Note 7)		**21,103,601**		7,980,154
Share option reserves		**3,020,459**		-
Accumulated other comprehensive loss		**(193,647)**		(124,416)
Deficit		**(19,128,405)**		(1,643,203)
Total equity		**4,802,008**		6,212,535
Total liabilities and equity	**$**	**6,081,156**	$	6,696,309

Going concern (Note 1(d)); Commitments (Note 9(a)); Subsequent events (Notes 1(d), 9(a) and 14)

Approved on behalf of the Board of Directors:

"Peter Dembicki"
CEO, President & Director

"Steve Cook"
Director

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

Tier One Silver Inc.

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

		Year ended December 31, 2021		Year ended December 31, 2020
Operating expenses:				
Exploration and evaluation costs	**$**	**9,564,662**	$	2,627,742
Fees, salaries and other employee benefits		**3,200,994**		374,182
Legal and professional fees		**444,831**		108,020
Marketing and investor relations		**1,062,401**		17,615
Office and administration		**535,759**		81,930
Project investigation costs		**122,167**		23,834
Regulatory and transfer agent		**144,946**		5,142
Mineral property impairment (Note 5(iii) and (iv))		**2,041,437**		-
Costs related to mineral property option terminations (Note 5(iii))		**278,322**		-
		17,395,519		3,238,465
Other expenses:				
Foreign exchange loss, net		**89,683**		34,030
Loss for the year	**$**	**17,485,202**	$	3,272,495
Other comprehensive loss				
Unrealized currency loss on translation		**69,231**		124,416
Comprehensive loss for the year	**$**	**17,554,433**	$	3,396,911
Basic and diluted loss per share (Note 7(c))	**$**	**0.14**	$	0.03
Basic and diluted weighted average number of shares outstanding (Note 7(c))		**123,546,343**		112,340,434

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

Tier One Silver Inc.

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

	Attributable to common shareholders of the Company						
	Number of common shares	**Share Capital**	**Share option reserve**	**Other comprehensive loss**	**Deficit**	**Net parent investment (Note 2(b))**	**Total**
Balance at December 31, 2019	-	$ -	$ -	$ -	$ -	$ 3,474,710	$ 3,474,710
Incorporation share	1	1	-	-	-	-	1
Cash contributions from parent	-	-	-	-	-	6,052,988	6,052,988
Non-cash contributions from parent	-	-	-	-	-	81,747	81,747
Other comprehensive income(loss)	-	-	-	(194,700)	-	70,284	(124,416)
Loss for the year	-	-	-	-	(1,643,203)	(1,629,292)	(3,272,495)
Issuance of shares pursuant to the Transaction on October 9, 2020 (Note 1(b))	112,340,433	7,980,153	-	70,284	-	(8,050,437)	-
Balance at December 31, 2020	112,340,434	$ 7,980,154	$ -	$ (124,416)	$ (1,643,203)	$ -	$ 6,212,535
Shares issued pursuant to offering, net of share issue costs (Note 7(b))	**13,454,463**	**13,123,447**	**-**	**-**	**-**	**-**	**13,123,447**
Share-based compensation (Note 8)	**-**	**-**	**3,020,459**	**-**	**-**	**-**	**3,020,459**
Other comprehensive loss	**-**	**-**	**-**	**(69,231)**	**-**	**-**	**(69,231)**
Loss for the year	**-**	**-**	**-**	**-**	**(17,485,202)**	**-**	**(17,485,202)**
Balance at December 31, 2021	**125,794,897**	**$ 21,103,601**	**$ 3,020,459**	**$ (193,647)**	**$ (19,128,405)**	**$ -**	**$ 4,802,008**

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

Tier One Silver Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		Year Ended December 31, 2021		Year Ended December 31, 2020
Operating activities:				
Loss for the year	**$**	**(17,485,202)**	$	(3,272,495)
Non-cash transactions:				
Impairment of mineral property (Note 5(iii) and (iv))		**2,041,437**		-
Share-based compensation (Note 8 & 9(a))		**3,020,459**		81,747
Depreciation		**11,199**		9,774
Unrealized foreign exchange gain		**(36,444)**		(11,881)
Mineral property option terminations (Note 5(iii))		**162,508**		-
Changes in non-cash working capital:				
Accounts receivable		**(9,440)**		(13,471)
Prepaid expenses and deposits		**(609,557)**		(48,611)
Accounts payable and accrued liabilities		**314,297**		468,474
Cash used in operating activities		**(12,590,743)**		(2,786,463)
Investing activities:				
Purchase of equipment		**(57,574)**		-
Mineral property additions (Note 5)		**(615,593)**		(529,393)
Cash used in investing activities		**(673,167)**		(529,393)
Financing activities:				
Proceeds from issuance of common shares, net of cash issuance costs		**13,123,447**		-
Contributions from parent		**-**		6,052,988
Cash provided by financing activities		**13,123,447**		6,052,988
Effect of foreign exchange rate changes on cash		**983**		(33,709)
(Decrease) increase in cash		**(139,480)**		2,703,423
Cash, beginning of the year		**2,729,338**		25,915
Cash, end of the year	**$**	**2,589,858**	$	2,729,338

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

1. Business Overview

(a) Corporate information

Tier One Silver Inc. (the "Company" or "Tier One") was incorporated under the British Columbia Business Corporations Act on July 23, 2020 and is listed on the TSX Venture exchange. The Company's common shares trade under the symbol TSLV in Canada and on the OTCQB Venture Market under the US symbol TSLVF. Tier One's head office and principal address is located at 1177 West Hastings Street, Suite 1630, Vancouver, British Columbia, Canada, V6E 2K3.

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

(b) Transaction arrangement

On October 9, 2020, Auryn Resources Inc. ("Auryn"), now known as Fury Gold Mines Limited ("Fury Gold"), and Eastmain Resources Inc. closed the transaction to combine their Canadian mineral businesses after Fury Gold spun out its Peruvian subsidiaries into two newly formed British Columbia subsidiaries, distributed to its shareholders the common shares of these subsidiaries, including Tier One, and completed a concurrent financing (collectively, the "Transaction").

(c) Nature of operations

The Company's primary asset is 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. In addition to the Curibaya project, on April 28, 2021, the Company entered into an option agreement with respect to the Hurricane Silver project in southern Peru.

The Company has not yet determined whether its properties contains mineral reserves where extraction is both technically feasible and commercially viable. Tier One operates in one reportable 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 obtained access rights through community agreements to complete work at both the Curibaya and Hurricane Silver projects.

(d) Going Concern

As at December 31, 2021, the Company had net working capital of $2,295,439 while it incurred a loss of $17,485,202 for the year ended December 31, 2021. The Company has no operating revenue to date and no operating revenue 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 April 12, 2022 announced a marketed public offering for gross proceeds of $6,000,150 (see Note 14), the ability to continue as a going concern remains dependent upon the Company's continued ability to obtain the financing necessary to fund its mineral properties, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. These conditions create a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements 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 consolidated 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.

(e) Ongoing respond to COVID-19

The situation in Canada and Peru with respect to the management of COVID-19 remains fluid and permitted activities are subject to change; the Company is continually reviewing the situation along with provincial and government guidelines and allowing work to be undertaken as long as it is confident that its employees and communities are safe to do so.

While the disruptions resulting from the pandemic caused only a minor delay in the Company's planned goals for 2020, mainly related to its inability to conduct field programs in Peru while a lockdown was mandated, management was still able to continue with much of its planned activity for the remainder of 2020 and throughout 2021.As the situation surrounding COVID-19 continues to develop, albeit to a lesser extent, the Company will continue to monitor the situation closely and respond appropriately. As of December 31, 2021, the Company is helping local workers get vaccinated and the pandemic is not currently causing disruptions to the Company's operations.

2. Basis of presentation

(a) Statement of compliance

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

These consolidated financial statements were approved and authorized for issuance on April 28, 2022, by the Board of Directors.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis. Significantly accounting policies are presented in Note 3 to these consolidated financial statements and have been consistently applied in each of the years presented.

Common control transaction

Pursuant to the Transaction, the Company acquired a 100% ownership interest in Corisur Peru S.A.C. ("Corisur") and Magma Minerals S.A.C. ("Magma") (collectively, the "Peruvian Subsidiaries"). Tier One's acquisition of the Peruvian Subsidiaries is a business combination involving entities under common control in which all the combining entities were ultimately controlled by Fury Gold, both before and after the Transaction was completed. Business combinations involving entities under common control are outside the scope of IFRS 3 – Business Combinations. The Company accounted for this common control transaction using book value accounting based on the book values recognized in the financial statements of the underlying subsidiaries. This results in the consolidated financial statements reflecting the combination as if it had occurred from the beginning of the period that the entities were under common control, regardless of the actual date the common control transaction closed.

Net parent investment

The comparative financial statements for 2020 were prepared on a combined basis. The amounts which reflect the carrying value of investments in the combined entities are disclosed as “Net Parent Investment”. Since the Company was not a legal entity up to July 23, 2020, the combined entities have no historical capital structure. The amounts reflected as cash and non-cash contributions from parent in the consolidated statements of changes in equity refer to cash and non-cash contributions to the Company from Fury Gold.

(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 consolidated 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 as follows:

Subsidiary	**Place of incorporation**	**Functional Currency**	**Beneficial Interest**
Corisur Peru, S.A.C.	Peru	USD	100%
Magma Minerals, S.A.C.	Peru	USD	100%

Corisur is a private Peruvian company incorporated on December 17, 2015, pursuant to Peru’s General Law of Companies. Corisur is owned by two Peruvian nationals who have entered into conditional option agreements with the Company pursuant to which the Company has options to acquire 100% of the shares of Corisur for nominal consideration. This arrangement is conditional on a Supreme Decree being received in respect of the border zone properties which Corisur owns. A Supreme Decree is a legal dispensation required for a non-Peruvian to own a Company’s shares. The two optionors are remunerated service providers to Tier One and manage Corisur at the direction of Tier One.

Magma was incorporated on January 31, 2020 pursuant to Peru’s General Law of Companies which requires every company to have at least two shareholders. In order to comply with Peruvian law, the Company’s Chief Financial Officer, Stacy Rowa, holds the registered title to 10 shares of Magma (1% of the issued and outstanding shares of Magma). Ms. Rowa holds these shares of Magma in trust for the Company under a bare trust agreement dated April 13, 2021 between Ms. Rowa and the Company.

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 consolidated 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 consolidated 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 consolidated financial statements. Estimates are continuously evaluated and are based on management’s experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

Critical accounting judgments exercised in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

i. 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. The Company has determined the functional currency to be the Canadian dollar, while the functional currency of its Peruvian subsidiaries is the United States dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

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

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

iii. Indications of impairment of assets

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

iv. Financial instruments

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

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

i. Provisions

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

ii. Reclamation obligations

Management assesses its reclamation obligations annually and when circumstances suggest that a material change to the obligations may have occurred. Significant estimates and assumptions are made in determining the provision for site reclamation and closure, as there are numerous factors that will affect the ultimate liability that becomes payable. These factors include estimates of the extent, the timing and the cost of reclamation activities, regulatory change, 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.

iii. 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.

iv. Income taxes

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

v. Deferred tax assets and liabilities

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

3. Significant accounting policies

(a) Foreign currency translation

The financial statements of the Company and each of its subsidiaries are prepared in its functional currency determined on the basis of the primary economic environment in which such entities operate. The presentation and functional currency of the Company is the Canadian dollar while the functional currency of its Peruvian subsidiaries is the United States dollar. Amounts in these financial statements denominated in United States dollars are denoted as US$.

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

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

Since the Company's presentation currency differs from the functional currency of its Peruvian subsidiaries, Tier One translates the Peruvian subsidiaries' results and financial position as follows:

i. Assets and liabilities for each statement of financial position are translated at the closing rate at the date of that statement of financial position;

ii. Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at an exchange rate that approximates the exchange rates at the date of the transactions, determined to be the average rate for the period; and

iii. All resulting exchange rate differences are recognized in other comprehensive income.

(b) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid short-term investments that are readily convertible to cash and have maturities with terms of less than ninety days and/or with original maturities over ninety days but redeemable on demand without penalty. The Company did not hold any cash equivalents as at December 31, 2021 and 2020.

(c) Equipment

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

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

(d) Mineral property interests and exploration expenditures

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing historical characteristic of many properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge title to all of its properties is in good standing.

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

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

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

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

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

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

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

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

(e) 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.

(f) Provision for site reclamation and closure

An obligation to incur rehabilitation and site restoration costs arises when an environmental disturbance is caused by the exploration, development or on-going production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the consolidated statement of loss and comprehensive loss over the life of the operation through amortization and the unwinding of the discount in the provision. Costs for restoration of subsequent site damage, which is created on an on-going basis during production, are provided for at their estimated net present values and charged against earnings as extraction progresses.

(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 loss and comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal of impairment is recognized in the consolidated statement of loss and comprehensive loss.

(h) Loss per share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. The diluted loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding on a diluted basis. The weighted average number of shares outstanding on a diluted basis takes into account the additional shares for the assumed exercise of share options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding share options were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period.

(i) Share-based compensation

From time to time, the Company grants share options to employees and non-employees. An individual is classified as an employee, versus a non-employee, when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of share options, measured using the Black-Scholes option pricing model at the date of grant, is charged to the consolidated statement of loss and comprehensive loss over the vesting period. Performance vesting conditions and forfeitures are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Where the terms and conditions of options are modified before they vest, any change in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of loss and comprehensive loss over the remaining vesting period.

Equity instruments granted to non-employees are recorded in the consolidated statement of loss and comprehensive loss at the fair value of the goods or services received, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for a share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are recorded in share option and warrant reserve until exercised. Upon exercise, shares are issued from treasury and the amount previously recorded in share option and warrant reserve is reclassified to share capital along with any consideration paid.

(j) Income taxes

Income tax reported in the consolidated statement of loss and comprehensive loss for any given period comprises current and deferred income tax. Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax is based on the local taxable income at the local statutory tax rate enacted or, substantively enacted, at the reporting date and includes any adjustments to tax payable or recoverable with regards to previous periods. Deferred income tax is determined using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the expected future tax rates enacted or substantively enacted at the reporting date. A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

(k) Financial instruments

The Company recognizes financial assets and liabilities on its statement of financial position when it becomes a party to the contract creating the asset or liability.

On initial recognition, all financial assets and liabilities are recorded by the Company at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as fair value through profit or loss (“FVTPL”) for which transaction costs are expensed in the period in which they are incurred.

<u>Amortized cost</u>

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

The Company’s financial assets at amortized cost primarily include cash, accounts receivable, and deposits.

<u>Fair value through other comprehensive income ("FVTOCI")</u>

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

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets measured subsequently at FVTPL

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

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

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

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

Financial liabilities

Financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating amortized cost of a financial liability and allocating the interest expense over the related period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Company's financial liabilities at amortized cost primarily include accounts payable and accrued liabilities.

Impairment

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

(l) Comprehensive loss

Other comprehensive loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive loss comprises net loss and other comprehensive loss. Foreign currency translation differences arising on translation of foreign subsidiaries are also included in other comprehensive loss.

(m) Changes in accounting policies including initial adoption

Application of new and revised accounting standards:

The Company has adopted the following amended accounting standards and policies effective January 1, 2021:

IBOR Reform and the Effects on Financial Reporting – Phase II

In August 2020, the Board issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, IFRS 4, Insurance Contracts and IFRS 16, Leases. This amendment had no impact on the Company's consolidated financial statements.

New and amended standards not yet effective:

Certain new accounting standards and interpretations have been issued but were not effective for the year ended December 31, 2021, and they have not been early adopted. The Company is currently assessing the new and amended standards' impact on its consolidated financial statements; however, they are not expected to have a material impact on the Company's current or future reporting periods.

Annual Improvements to IFRS Standards 2018–2020 makes amendments to the following standards and has an effective date of January 1, 2022:

IFRS 1 - First-time Adoption of International Financial Reporting Standards: The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9 - Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the consolidated statements of financial position and not the amount or timing of recognition of any asset, liability, income, or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

(Expressed in Canadian dollars)

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. However, the concept of changes in accounting estimates in the Standard was retained with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error; and
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after January 1, 2023, to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

4. Prepaid expenses and deposits

		December 31, 2021		December 31, 2020
Prepaid expenses and deposits related to:				
Community and surface agreements	**$**	**198,079**	$	145,653
Exploration and evaluation		**71,721**		-
General, administration, and other		**594,810**		109,482
Total prepaid expenses and deposits	**$**	**864,610**	$	255,135
Current portion		**764,328**		148,323
Long-term portion	**$**	**100,282**	$	106,812

The long-term portion of prepaid expenses and deposits relates to community and surface agreements entered in relation to the Corisur claims (previously referred to as the Huilacollo project) and the Curibaya 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 agreement with the local community at the Curibaya project is in place until 2023.

As at December 31, 2021, general, administration and other prepaid expenses and deposits primarily related to amounts advanced to Universal Mineral Services Ltd. ("UMS Canada") and Universal Mineral Services Peru S.A.C. ("UMS Peru") as disclosed in Note 9.

(Expressed in Canadian dollars)

5. Mineral property interests

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

	Curibaya	Hurricane	Corisur	Other	Total
Balance as at December 31, 2019	$ 976,259	$ -	$ 2,261,291	$ -	$ 3,237,550
Mineral property additions	20,031	-	337,475	171,887	529,393
Currency translation adjustment	(9,579)	-	(63,747)	(5,708)	(79,034)
Balance as at December 31, 2020	$ 986,711	$ -	$ 2,535,019	$ 166,179	$ 3,687,909
Mineral property additions	**29,402**	**235,267**	**4,190**	**346,734**	**615,593**
Mineral property impairment	**-**	**-**	**(1,689,719)**	**(351,718)**	**(2,041,437)**
Recognition of provision for site reclamation and closure	**313,312**	**-**	**-**	**-**	**313,312**
Currency translation adjustment	**(7,374)**	**349**	**(19,726)**	**(2,195)**	**(28,946)**
Balance as at December 31, 2021	**$ 1,322,051**	**$ 235,616**	**$ 829,764**	**$ 159,000**	**$ 2,546,431**

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 $8,571,163 and $2,441,613 of exploration and evaluation costs on Curibaya during the years ended December 31, 2021 and 2020, respectively.

ii) Hurricane Silver

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"). Tororume owns the Hurricane Silver 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 Silver project area to approximately 32,000 ha.

Under the terms of the Pembrook Option, Tier One has the option to acquire 90% or 100% of the shares of Tororume by making certain payments to Pembrook and by incurring certain amounts of exploration work on the project within the five-year period measured from a defined Access Date. The Access Date is the date by which the Company has secured the necessary surface rights and governmental permits ("Rights and Permits") to commence diamond drilling. If after using reasonable efforts to obtain the Rights and Permits for at least 12 months (from April 28, 2021), the Company still has not secured the needed Rights and Permits, it may then terminate the option anytime during the next six months without obligation. If it does not terminate by the end of the 18th month (being October 2022), then the Company is thereupon obligated to incur the first year of work expenditures in the table below (or pay them to Pembrook in lieu) even if it has not yet obtained the Rights and Permits. As at December 31, 2021, the Company has secured surface rights with one community but not yet obtained the governmental permits.

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		250	750
2nd Anniversary of Access Date		350	1,000
3rd Anniversary of Access Date		500	2,000
4th Anniversary of Access Date		1,000	3,000
5th Anniversary of Access Date		2,500	4,000
Total to acquire 90%		**4,684**	**10,750**
Payment to acquire final 10%		10,000	-
Total to acquire 100%		**14,684**	**10,750**

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

The Company incurred $281,388 of exploration and evaluation costs on the Hurricane Silver project during the year ended December 31, 2021 (December 31,2020 - $ Nil), of which $195,795 (US$155,453) has been incurred in relation to the US$750,000 work expenditure required by the 1st Anniversary of the Access Date.

iii) Corisur Claims (previously Huilacollo)

In 2016, the Company acquired the rights to the Huilacollo 1 & 2 concessions, covering approximately 2,000 ha and located in the Tacna province of southern Peru through a conditional option agreement (the "Huilacollo Option") with a local Peruvian company, Inversiones Sol S.A.C.. Subsequently, in 2017, the Company acquired the rights to the neighbouring concessions, the Tacora, Tacora Sur and Andamarca concessions, covering 1,300 ha through two acquisition agreements. Certain Net Smelter Return royalties remain on these concessions. Collectively, these five claims were referred to as "Huilacollo".

Given the Company's strategic focus on the Curibaya project, Huilacollo had become non-core to the ongoing business of Tier One, and as a result, on April 24, 2021, the Company gave notice to terminate the Huilacollo Option thus eliminating any further payments under the Huilacollo Option. During the year ended December 31, 2021, the Company recorded an impairment of $1,689,719 against the value of the mineral property interests in relation to the Huilacollo 1 & 2 concessions. There are no remaining costs capitalized in relation to these concessions. Furthermore, the Company has recorded a provision of $168,617 (US$133,000) for final costs relating to the termination of the Huilacollo Option which is presented within the current portion of the provision for site reclamation and closure costs on the consolidated statement of financial position as at December 31, 2021.

As at December 31, 2021, the historical cost of acquiring the Tacora, Tacora Sur and Andamarca concessions remains on the consolidated statement of financial position within mineral property interest. These concessions, together with a group of additional concessions, are now referred to as the Corisur claims. As they are located in the border zone, 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.

The Company incurred $172,189 and $137,767 of exploration and evaluation costs on the Corisur claims during the years ended December 31, 2021, and 2020, respectively. Costs related to mineral property option terminations as reported on the consolidated statements of loss and comprehensive loss for the year ended December 31, 2021, include those costs incurred by the Company to close the Huilacollo environmental and drill permit.

iv) Other

Emilia

On January 12, 2021, the Company entered into an option agreement to acquire 100% of the Emilia project (the "Emilia Option"), which covers 1,400 ha in southern Peru. In order to exercise the Emilia Option, the Company was required to make option payments totalling US$10,000,000 and complete US$340,000 in work expenditures over a five-year period.

On November 9, 2021, the Company made the decision to terminate the Emilia Option. The termination, which eliminates any future option payments and work expenditures that were otherwise required under the Emilia Option, was based on the strategic decision to focus its capital and human resources on its two primary properties, being the Curibaya and Hurricane projects. The Company recorded a full impairment against the value of the mineral properties of $351,718.

Coastal Batholith

Coastal Batholith is a wholly-owned project that covers approximately 41,000 ha on the coast of Peru. As the project was acquired through staking, there are no work expenditure requirements. During 2021, the Company completed first pass reconnaissance exploration work at the project.

Exploration and Evaluation Costs

On its properties that are grouped as other, the Company incurred $539,922 of exploration and evaluation costs during the year ended December 31, 2021 ($48,362 during the year ended December 31, 2020).

6. Provision for site reclamation and closure

The Company has recorded a provision for site reclamation and closure at the Curibaya project after commencing drilling in June 2021. The amount of the provision reflects the present value of the estimated amount of cash flows that will be required to complete reclamation work in accordance with the Company's drill permit. The components of this obligation are costs associated with the reclamation and closure of the drill platforms, water wells and access roads built on the property as at December 31, 2021, as well as the demobilization and reclamation of the camp housing and site. The estimate of future reclamation obligations is subject to change based on amendments to applicable laws, management's intentions, and mineral concession renewals.

The key assumptions on which the present value of the future estimated cash flows is based are:

- Undiscounted risk-adjusted cash flow for site reclamation of US$245,921;
- Expected timing of future cash flows, based on permit requirements and the estimated life of the project, is between 2022 and 2031; and
- Cash flows are expressed in current prices as a result of applying a 0% real discount rate.

In addition to the Curibaya provision, having terminated the Huilacollo Option, the Company has recorded $168,617 (US$133,000) in the process of undertaking the closure of the environmental and drill permit and returning the Huilacollo concessions to the optionor.

As a monetary liability, the provision is translated to CAD at the closing exchange rate of 1.2678 on December 31, 2021.

(Expressed in Canadian dollars)

The present value of the site reclamation and closure provision is as follows:

	December 31, 2021
Huilacollo provision for reclamation and closure	$ 168,617
Curibaya provision for site reclamation and closure	311,778
Total provision for site reclamation and closure	**$ 480,395**
Current balance	$ 282,905
Non-current balance	$ 197,490

7. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Common share issuances

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 issue 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
Cash share issue costs	-	(331,016)
Proceeds net of share issue costs	**13,454,463**	**$ 13,123,447**

There were no other share issuances during the year ended December 31, 2021.

(c) Loss per share

As Fury Gold was the parent company of Tier One prior to the Transaction, the weighted average number of shares outstanding for 2020 was calculated assuming the shares issued during the Transaction were outstanding for the full year.

Loss per share information for the year ended December 31, 2021 and 2020, is as follows:

	December 31, 2021	December 31, 2020
Net loss	$ 17,485,202	$ 3,272,495
Weighted average number of shares outstanding	123,546,343	112,340,434
Basic and diluted loss per share	**$ 0.14**	**$ 0.03**

All of the outstanding share options at December 31, 2021, and 2020 were antidilutive for the years then ended as the Company was in a loss position.

(Expressed in Canadian dollars)

8. Share-based payments

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 12½% every three months after the grant date, for a total vesting period of 24 months.

During the year ended December 31, 2021, the Company issued its first share options. 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**
Outstanding, December 31, 2021	**7,970,000**	**$ 1.01**

As at December 31, 2021, 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	7,545,000	$ 1.00	4.27	1,886,250	$ 1.00	4.27
April 29, 2026	200,000	1.00	4.33	50,000	1.00	4.33
June 22, 2026	225,000	1.44	4.48	56,250	1.44	4.48
	7,970,000	$ 1.01	4.28	1,992,500	$ 1.01	4.28

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and other service providers. During the year ended December 31, 2021, the Company recognized share-based compensation expense as follows:

	December 31, 2021
Recognized in net loss:	
Included in exploration and evaluation costs	**854,157**
Included in fees, salaries and other employee benefits	**1,979,714**
Included in marketing and investor relations	**144,029**
Included in project investigation costs	**42,559**
	$ 3,020,459

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

(Expressed in Canadian dollars)

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

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

See Note 9 regarding shared-based compensation that was allocated to the Company by Fury Gold in 2020 prior to the close of the Transaction.

The Company does not have any warrants issued and outstanding, however, Tier One has the obligation to issue up to 500,000 common shares upon the exercise of 337,813 common share purchase warrants of Fury Gold, which expire September 12, 2022. In that event, Tier One will receive cash proceeds of $0.20 per common share issued.

9. Related party transactions 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.

(a) Related party transactions

UMS Canada and UMS Peru

	December 31, 2021	December 31, 2020
Exploration and evaluation costs	**$ 739,728**	$ 406,185
Fees, salaries and other employee benefits	**501,603**	-
Legal and professional fees	**34,741**	-
Marketing and investor relations	**80,708**	-
Office and administration	**391,321**	-
Project investigation costs	**23,741**	-
Costs related to mineral property option terminations	**36,130**	
Total transactions for the years	**$ 1,807,972**	$ 406,185

Throughout the year ended December 31, 2021, UMS Canada was owned by Ivan Bebek and Shawn Wallace who are directors of Tier One. On December 31, 2021, these two shareholders sold their shares in UMS Canada for nominal consideration and at the same time resigned as directors of UMS Canada. Steven Cook, who acquired the UMS Canada shares, is also a director of Tier One and on the date of transfer also took over as sole director of UMS Canada. On April 1, 2022, UMS Canada was restructured whereby Mr. Cook transferred his ownership equally to the four public companies which share its services, including Tier One, for nominal consideration. As a result, Tier One now has a 25% shareholding in its shared service company, UMS Canada, which it purchased for nominal consideration.

(Expressed in Canadian dollars)

UMS Canada provides geological, financial, administrative and transactional services to four companies, including the Company, on an ongoing, full-cost recovery basis. Sharing these services through UMS Canada, on a partially committed and partially as needed basis, allows the Company to maintain a more efficient and cost-effective corporate cost structure by hiring fewer full-time employees and engaging outside professional advisory firms less frequently. The agreement has an indefinite term and can be terminated by either party upon providing 180 days notice with continuing responsibility for the Vancouver premises lease unless and until a subtenant can be found. During the year ended December 31, 2021, UMS Canada entered into an office lease agreement with a term of ten years, for which certain rent expenses will be payable by the Company. As at December 31, 2021, the Company expects to incur approximately $1.2 million in respect of its share of future rent over the remainder of the ten year lease period.

On April 1, 2021, UMS Peru S.A.C., a company incorporated by UMS Canada under Peruvian law, began providing administrative and geological services to the Peruvian Subsidiaries. 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.

Fury Gold

During the year ended December 31, 2021, $nil (during the year ended December 31, 2020, $81,747) of share-based compensation from Fury Gold were allocated to the Company.

Fury Gold uses the fair value method of accounting for all share-based payments. The fair value of the share-based options granted up to the date of the Transaction were estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	October 9, 2020
Risk-free interest rate	0.39%
Expected dividend yield	Nil
Share price volatility	58%
Expected forfeiture rate	0%
Expected life in years	4.90

The risk-free interest rate assumption is based on the Government of Canada benchmark bond yields and treasury bills with a remaining term that approximates the expected life of the share-based options. The expected volatility assumption is based on the historical and implied volatility of Fury Gold's common shares. The expected forfeiture rate and the expected life in years are based on historical trends.

After the close of the Transaction, there was no further allocation of share-based compensation.

(b) Related party balances

As at December 31, 2021, $111,901 (December 31, 2020 - $96,293) was included in accounts payable and $419,553 (December 31, 2020 - $50,000) was in prepaid expenses and deposits relating to transactions with UMS Canada.

As at December 31, 2021, $64,879 (December 31, 2020 - $nil) was in prepaid expenses and deposits relating to transactions with UMS Peru.

(Expressed in Canadian dollars)

As at December 31, 2021, there was $nil (December 31, 2020 - $84,000) included in accounts payable and accrued liabilities owed to Fury Gold related to the closing cash pursuant to the Transaction.

(c) Key management compensation

In addition to the transactions disclosed above, the Company provided the following compensation to key management members, being its five executives and six non-executive directors:

		December 31, 2021		December 31, 2020
Salary and benefits provided to executives	$	**811,863**	$	143,243
Director fees paid to non-executive directors		**216,077**		25,022
Share-based compensation		**2,106,855**		-
	$	**3,134,795**	$	168,265

10. Income taxes

(a) Income tax recovery provision

The reconciliation of the income tax recovery computed at statutory rates to the reported income tax recovery is:

		December 31, 2021		December 31, 2020
Loss before income taxes	**$**	**(17,485,202)**	$	(3,272,495)
Effective income tax rates		**27.00%**		27.00%
Expected income tax recovery		**(4,721,005)**		(883,574)
Increase (decrease) in income tax recovery resulting from:				
Change in prior years estimates		**239,469**		-
Difference in Peruvian income tax rates		**(268,501)**		(53,100)
Foreign exchange		**(89,374)**		37,390
Non-deductible items and other		**1,221,677**		182,304
Increase in unrecognized tax asset		**3,617,734**		717,052
Income tax recovery	**$**	**-**	$	-

The difference in statutory rate is due to using the Peruvian income tax rate in the comparative year, and the Canadian income tax rate in the current year.

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

		December 31, 2021		December 31, 2020
Non-capital losses carried forward	**$**	**2,801,589**	$	1,251,275
Share issuance costs		**71,499**		-
Equipment		**236**		25
Mineral property interests		**3,764,511**		1,993,005
Provision for site reclamation and closure		**91,975**		-
Peruvian VAT receivable		**395,217**		262,989
		7,125,027		3,507,293
Unrecognized deferred tax assets		**(7,125,027)**		(3,507,293)
Net deferred tax balance	**$**	**-**	$	**-**

(c) Tax losses

As at December 31, 2021, the Company has Canadian non-capital losses of approximately $3,538,841 (December 31, 2020 - $314,547) which may be carried forward to reduce taxable income of future years, and which, if unused expire in 2040 - 2041.

The Company has Peruvian non-capital losses of approximately $6,257,974 (December 31, 2020 – $3,953,694), which may be carried forward to reduce taxable income of future years, and which, if unused, expire 2022 through 2025.

11. 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 fair value hierarchy under which the Company's financial instruments are valued:

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

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

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

As at December 31, 2021 and 2020 there were no financial instruments measured at fair value.

The Company's financial instruments are exposed to credit risk and liquidity risk. As at December 31, 2021, the primary risks were as follows:

<u>Liquidity risk</u>

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. As at December 31, 2021, the Company has working capital of $2,295,439 (December 31, 2020 - $2,407,358) and cash of $2,589,858 (December 31, 2020 - $2,729,338), which is entirely unrestricted. See Note 14 regarding marketed public offering announced subsequent to December 31, 2021.

<u>Market risk</u>

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:

<u>Currency risk</u>

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 December 31, 2021 and 2020, 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.

(Expressed in Canadian dollars)

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

		December 31, 2021		December 31, 2020
Financial assets	**$**	**64,987**	$	58,774
Financial liabilities		**(66,652)**		(71,173)
Net exposure	**$**	**(1,665)**	$	(12,399)

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.

12. Segmented information

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

Tier One was not subjected to restrictions on its cash as at December 31, 2021, and 2020.

13. 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:

		December 31, 2021		December 31, 2020
Equity	**$**	**4,802,008**	$	6,212,535
Less cash		**(2,589,858)**		(2,729,338)
	$	**2,212,150**	$	3,483,197

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 development 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.

The Company currently has sufficient working capital and is able to meet its ongoing current obligations as they become due, and on April 12, 2022, announced that it had entered an agreement to complete a marketed public offering for minimum gross proceeds of $6,000,150 (Note 14). Despite the announced offering, 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 financings to fund its exploration and corporate activities.

14. Subsequent event

On April 12, 2022, the Company announced a marketed public offering of 9,231,000 units of the Company at a price of $0.65 for minimum gross proceeds to the Company of $6,000,150. Each unit shall consist of one common share of the Company and one half of one common share purchase warrant. Each whole warrant shall entitle the holder thereof to purchase one common share of the Company at a price of $1.00 at any time on or before the date which is 24 months after the closing date. The agreement also allows for an over-allotment option of 15% exercisable in whole or in part for a period of 30 days after and including the closing date.

The units will be offered by way of a short form prospectus filed in British Columbia, Alberta and Ontario. The offering is subject to certain conditions including, but not limited to, the receipt of all necessary approvals and is scheduled to close in May 2022 however it is a best efforts financing.