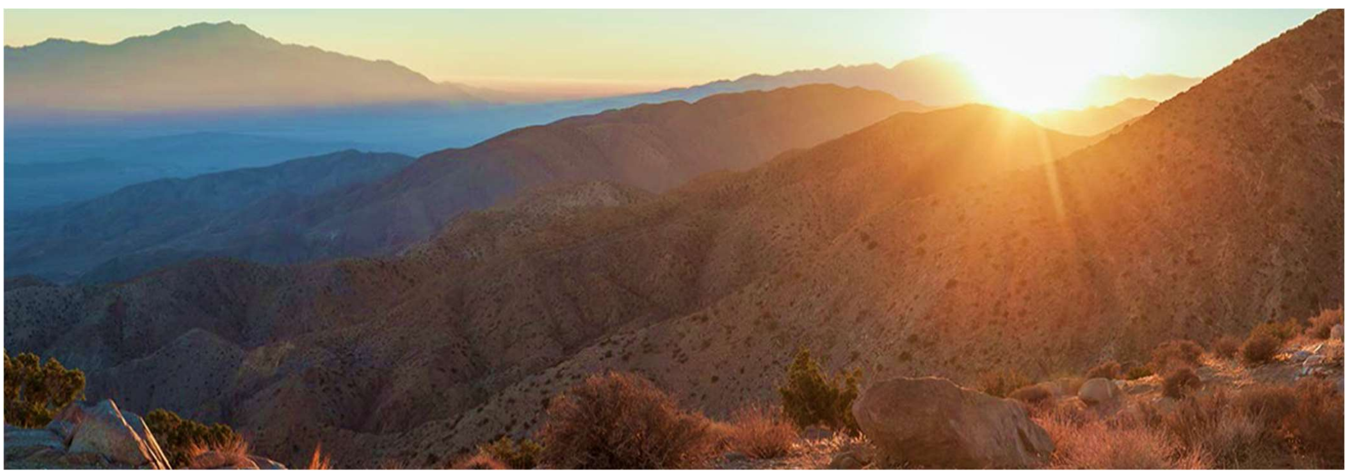
FUERTE METALS

Fuerte Metals Corporation (formerly, Atacama Copper Corporation)

Consolidated Financial Statements
For the Fiscal Years Ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)



www.fuertemetals.com

TSX.V: **FMT**
OTCQB: **FUEMF**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Fuerte Metals Corporation (formerly Atacama Copper Corporation)

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) of the consolidated financial statements, which indicates that during the year ended December 31, 2024 the Company incurred a loss of $13,840,377 and, as of December 31, 2024, the Company had an accumulated deficit of $30,774,093. As stated in Note 2(c), these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

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

As described in Note 6 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was $6,076,118 as of December 31, 2024. As more fully described in Note 4 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

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

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

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Obtaining, on a test basis through government websites and from legal counsel, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

Accounting for the Reverse Takeover (RTO) Transaction

As described in Notes 2(b) and 5 of the consolidated financial statements, during the year ended December 31, 2024 Fuerte Metals Corporation. (formerly Atacama Copper Corporation) ("Fuerte") acquired all of the issued and outstanding common shares of TCP1 Corporation ("TCP1"). This transaction resulted in a reverse takeover where TCP1 was the continuing entity for accounting purposes with the comparative figures presented being those of TCP1. The RTO was treated as a recapitalization under the relevant standards resulting in listing expense recorded in the consolidated financial statements. As further described in Note 5 of the consolidated financial statements, significant judgements were required to determine control in the transaction and whether Fuerte's operations constituted a business and the relevant accounting considerations.

The principal considerations for our determination that the reverse takeover transaction is a key audit matter are that there was judgment made by management when assessing whether TCP1 obtained control through the acquisition and whether Fuerte's operations constituted a business. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of accounting for the reverse takeover transaction.

Our audit procedures included, but were not limited to:

- Obtaining and reviewing agreements associated with the transaction.
- Ensuring the transaction constitutes a reverse acquisition as defined by IFRS Accounting Standards.
- Evaluating the appropriateness of management's assessment of the nature of operations of Fuerte and whether the activities constituted a business or an asset.
- Ensuring the purchase price equation is calculated appropriately.
- Completing audit procedures on opening balance accounts, including cut-off procedures as at the transaction date.
- Ensuring necessary disclosure is included in the consolidated financial statements.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Zachary Faure.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 4, 2025

FUERTE METALS CORPORATION (formerly, Atacama Copper Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	Note		December 31, 2024		December 31, 2023
ASSETS					
Current					
Cash and cash equivalents		$	5,575,071	$	1,167,968
Deferred acquisition costs	5		-		314,616
Receivables			6,119		64,039
Prepaid expenses			111,032		-
			5,692,222		1,546,623
Exploration and evaluation assets	6(a)		6,076,118		1,919,724
Total assets		**$**	**11,768,340**	**$**	**3,466,347**
LIABILITIES					
Current					
Accounts payable and accrued liabilities	14	$	96,640	$	758,864
Loans	7		-		1,121,950
Total liabilities			96,640		1,880,814
SHAREHOLDERS' EQUITY					
Share capital	8		38,705,824		15,801,438
Reserves	9		3,739,969		2,717,811
Deficit			(30,774,093)		(16,933,716)
Total shareholders' equity			11,671,700		1,585,533
Total liabilities and shareholders' equity		**$**	**11,768,340**	**$**	**3,466,347**

Nature of operations (Note 1)
Going concern (Note 2(c))
Subsequent events (Note 16)
Contingency (Note 17)

Approved on Behalf of the Board on April 4, 2025.

"Tim Warman"
Director

"Colinda Parent"
Director

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

FUERTE METALS CORPORATION (formerly, Atacama Copper Corporation)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

	Note		Year ended December 31, 2024		2023
Expenses					
Consulting fees		$	1,340,051	$	38,846
Exploration and evaluation (“E&E”) expenditures	6(b), 14		3,207,405		877,426
IVA expense			201,067		29,652
General and administration (“G&A”)			235,184		11,971
Salaries, management and director fees	14		592,507		120,000
Professional fees			274,056		153,333
Share-based compensation	9, 14		2,208,568		1,156,740
Shareholder communications			642,225		-
Travel			31,380		4,697
			(8,732,443)		(2,392,665)
Other income (expenses)					
Listing expense	5		(5,518,535)		-
Interest income			415,241		75,987
IVA recovery			90,465		-
Foreign exchange			(95,105)		19,752
			(5,107,934)		95,739
Loss and comprehensive loss for the year		$	(13,840,377)	$	(2,296,926)
Loss per common share, basic and diluted		$	(0.25)	$	(0.39)
Weighted average number of shares outstanding – basic and diluted			55,131,264		5,871,279

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

FUERTE METALS CORPORATION (formerly, Atacama Copper Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

	Year ended December 31, 2024	2023
Operating activities		
Loss for the year	$ (13,840,377)	$ (2,296,926)
Items not involving cash:		
Listing expense (Note 5)	5,518,535	-
Consulting fee termination expense (Note 8(e))	1,250,000	-
Interest expense on loans (Note 7)	597	-
Share-based compensation	2,208,568	1,156,740
Foreign exchange (Note 7)	42,796	(23,850)
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(1,656,577)	630,806
Deferred acquisition costs	-	(314,616)
Receivables	97,753	(42,615)
Prepaid expenses	(53,961)	-
Cash used in operating activities	(6,432,666)	(890,461)
Investing activities		
Cash acquired on reverse takeover (Note 5)	16,786	-
Reverse acquisition costs (Note 5)	(163,460)	-
Cash used in investing activities	(146,674)	-
Financing activities		
Proceeds from private placement, net of share issuance costs	12,099,963	-
Proceeds from private placement bridge financing	100,000	-
Proceeds from exercise of stock options	4,755	-
Repayment of loans (Note 7)	(1,218,275)	-
Cash provided by financing activities	10,986,443	-
Change in cash and cash equivalents during the year	4,407,103	(890,461)
Cash and cash equivalents, beginning of year	1,167,968	2,058,429
Cash and cash equivalents, end of year	$ 5,575,071	$ 1,167,968
Cash and cash equivalents is comprised of:		
Cash	$ 5,575,071	$ 16,899
Cash equivalents	$ -	$ 1,151,069
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Fair value of deemed issuance of common shares to Fuerte shareholders – Note 5	$ 6,469,288	$ -
Fair value of deemed issuance of stock options to Fuerte option holders – Note 5	$ 77,384	$ -
Fair value of deemed issuance of warrants to Fuerte warrant holders – Note 5	$ 256,816	$ -
Fair value of deemed issuance of RSUs to Fuerte RSU holders – Note 5	$ 42,988	$ -
Share issuance cost – non-cash (agent's warrants) – Note 8(b)	$ 206,390	$ -
Shares issued in settlement of loans and accrued salaries – Note 8(f)	$ 166,782	$ -
Cash paid during the year for interest	$ 1,775	$ -
Cash paid during the year for income taxes	$ -	$ -

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

FUERTE METALS CORPORATION (formerly, Atacama Copper Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

	Number of Shares		Share Capital		Reserves		Deficit		Total
Balance, December 31, 2022	5,728,859	$	15,801,438	$	1,561,071	$	(14,636,790)	$	2,725,719
Shares issued in private placement (Note 8)	261,222		-		-		-		-
Share-based compensation	-		-		1,156,740		-		1,156,740
Loss for the year	-		-		-		(2,296,926)		(2,296,926)
Balance, December 31, 2023	**5,990,081**	**$**	**15,801,438**	**$**	**2,717,811**	**$**	**(16,933,716)**	**$**	**1,585,533**
Effect of reverse acquisition (Note 5)	37,916,849		6,469,288		377,188		-		6,846,476
Reverse acquisition costs	1,157,407		1,250,000		-		-		1,250,000
Private placement – subscription receipts	11,834,159		11,893,573		206,390		-		12,099,963
Private placement – bridge financing	92,593		100,000		-		-		100,000
Exercise of Restricted Stock Units	20,556		22,200		(22,200)		-		-
Exercise of stock options	2,847,712		1,752,543		(1,747,788)		-		4,755
Shares issued for termination of agreement	1,157,428		1,250,000		-		-		1,250,000
Shares issued in settlement of debts	154,430		166,782		-		-		166,782
Share-based compensation	-		-		2,208,568		-		2,208,568
Loss for the year	-		-		-		(13,840,377)		(13,840,377)
Balance, December 31, 2024	**61,171,215**	**$**	**38,705,824**	**$**	**3,739,969**	**$**	**(30,774,093)**	**$**	**11,671,700**

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

1. NATURE OF OPERATIONS

Fuerte Metals Corporation (formerly, Atacama Copper Corporation) ("Fuerte" or the "Company") was incorporated under the Business Corporations Act of British Columbia on April 8, 2020. The Company's name change to Fuerte was effective on August 21, 2024. The Company's registered and records office and head office is located at 3200 – 733 Seymour Street, Vancouver, BC, V6B 0S6. The Company is listed on the TSX Venture Exchange ("TSXV"), having the symbol "FMT" and on the OTCQB under the symbol "FUEMF".

On February 9, 2024, the Company completed a reverse takeover transaction (the "RTO"), pursuant to a Business Combination Agreement dated December 15, 2023, between Fuerte, 1000723052 Ontario Corporation, a newly incorporated, wholly-owned subsidiary of Fuerte, and TCP1 Corporation ("TCP1"). Immediately prior to completing the RTO, Fuerte consolidated its issued and outstanding shares on a 6 for 1 basis. Pursuant to the RTO, Fuerte acquired all of the outstanding shares in TCP1 in exchange for common shares of Fuerte. Upon completion of the RTO, the shareholders of TCP1 controlled Fuerte and accordingly, the transaction was accounted for as a reverse acquisition of Fuerte by TCP1 and TCP1 was identified as the accounting acquirer. The historical operations, assets and liabilities of TCP1 are included as the comparative figures as at and for the year ended December 31, 2023, which is deemed to be the continuing entity for financial reporting purposes.

Subsequent to Fuerte's Share Consolidation, and to effect the RTO, the following transactions occurred, all noted on a post-consolidation share basis: (i) Fuerte issued 37,916,849 common shares to shareholders of TCP1; (ii) Fuerte issued 2,843,823 common shares to holders of "in-the-money" TCP1 stock options; (iii) Fuerte issued 1,157,428 common shares in satisfaction of a TCP1 termination agreement to a director of TCP1 for a total of $1,250,000; and (iv) Fuerte issued 1,157,407 common shares in satisfaction of a success fee of $1,250,000 related to the RTO. Concurrently with the RTO, Fuerte closed a private placement financing of subscription receipts (the "Receipts") into a total of 11,834,159 common shares for gross proceeds of $12,780,892 and issued 92,593 common shares in satisfaction of previously received financing proceeds of $100,000. In connection with the Receipts, the Company issued 409,995 agent's warrants which are exercisable at $1.08 per common share until February 9, 2026. Collectively, the RTO, the Receipts and the Share Consolidation are referred to as the "Transaction".

The principal business of the Company is to identify, explore and evaluate mineral properties in Chile, Mexico and elsewhere in the Americas. The Company holds mineral properties in Chile through its ownership of the El Cofre and Placeton projects while its mineral properties in Mexico comprise the Cristina and Yecora projects. The success of the Company will be dependent on obtaining the necessary financing to evaluate these projects.

2. BASIS OF PREPARATION AND GOING CONCERN

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved and authorized by the Board of Directors on April 4, 2025.

(b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. All dollar amounts presented are expressed in Canadian dollars, unless otherwise specified. In addition, these consolidated financial statements are prepared using the accrual basis of accounting except for cash flow information.

For accounting purposes, it has been determined that Fuerte was the accounting acquiree and TCP1 was the accounting acquirer as the shareholders of the former TCP1 now control the Company, based upon the guidance in IFRS 10, *Consolidated Financial Statements*, and IFRS 3, *Business Combinations*, to identify the accounting acquirer. Since TCP1 is considered the accounting acquirer, these consolidated financial statements are prepared as a continuation of the financial statements of TCP1.

The Company has reclassified certain comparative figures within the consolidated statement of loss and comprehensive loss to conform to the current period's presentation. Since the amounts are reclassifications within the consolidated statement of loss and comprehensive loss there was no impact on equity.

(c) Going concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business. The Company has incurred losses since inception and the ability of the Company to continue as a going concern depends upon its ability to raise adequate financing through the capital markets. During the year ended December 31, 2024, the Company incurred a loss of $13,840,377 and, as of December 31, 2024, the Company had an accumulated deficit of $30,774,093. The continuation of the Company is dependent upon obtaining necessary financing to meet its ongoing operational needs. While the Company raised additional funding in February 2024, it will continue to incur losses in the process of advancing its mineral exploration projects such that additional funds will be required in the future to enable the Company to continue its operations. There can be no assurance that financing will be available on terms which are acceptable to the Company.

2. BASIS OF PREPARATION AND GOING CONCERN (continued)

(c) Going concern (continued)

These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities which might be necessary should the Company be unable to continue its operations as a going concern. Such adjustments could be material.

(d) Amended IFRS standards effective January 1, 2024

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*, which amended IAS 1, *Presentation of Financial Statements* ("IAS 1") to clarify the requirements for presenting liabilities in the statement of financial position as current or non-current. In October 2022, the IASB issued *Non-current Liabilities with Covenants*, which amended IAS 1 to improve the information an entity provides when its right to defer settlement of a liability for at least 12 months after the reporting period is subject to compliance with covenants and to clarify how such compliance affects the classification of the liability as current or non-current.

For a liability to be classified as non-current, the amendments removed the requirement for the Company's right to defer settlement of a liability for at least 12 months after the reporting period to be 'unconditional' and instead require that the Company's right must exist at the end of the reporting period. In addition, the amendments clarify that: (a) classification is unaffected by management's intentions or expectations about whether the Company will exercise its right to defer settlement; (b) for loan arrangements that are subject to covenants, only covenants that the Company must comply with on or before the reporting date affect the classification of a liability as current or non-current at such date; (c) if the Company's right to defer settlement is subject to the Company complying with covenants on or before the reporting date, such covenants affect whether the Company's right exists at the end of the reporting period even if compliance with the covenant is assessed only after the reporting period; and (d) the term settlement includes the transfer of the Company's own equity instruments to the counterparty that results in the extinguishment of the liability, except when the settlement of the liability with the Company transferring its own equity instruments is at the option of the counterparty and such option has been classified as an equity instrument, separate from the host liability.

The amendments also require new disclosures for non-current liabilities that are subject to future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The required disclosures include (i) the nature of the covenants; (ii) when the Company is required to comply with the covenants; (iii) the carrying amounts of the related liabilities; and (iv) facts and circumstances, if any, that indicate the Company may have difficulty complying with the covenants.

The Company applied the above amendments effective January 1, 2024. The amendments did not have any impact on the classification of the Company's liabilities as at December 31, 2023.

(e) Accounting standards issued but not yet effective

Below are new standards, amendments to existing standards and interpretations that have been issued and are not yet effective. The Company plans to apply the new standards or interpretations in the annual period for which they are effective.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies set out below have been applied, on a consistent basis, to all years presented in these consolidated financial statements.

(a) Basis of consolidation

These consolidated financial statements include the accounts of the following entities, being the Company and its wholly-owned subsidiaries (collectively, the "Group"):

	Domicile and country of incorporation
Fuerte Metals Corporation (formerly, Atacama Copper Corporation)	Canada
TCP1 Corporation	Canada
Atacama Cobre Ltd.	Canada
Atacama Cobre Ltd. Agencia en Chile (Chilean Branch)	Chile
Criscora S.A. de C.V.	Mexico
Aconcagua Minerals SpA	Chile
Cobalt Chile SpA	Chile

All intercompany transactions and balances have been eliminated upon consolidation.

Control exists when the Company has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken in account in the assessment of whether control exists. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

(b) Functional currency and presentation currency

The consolidated financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

(c) Foreign exchange

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

(d) Financial instruments

Financial assets

Financial assets are classified at initial recognition as either: measured at amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI").

<u>FVTPL</u> – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed to profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise.

<u>FVTOCI</u> - Investments in equity instruments at FVTOCI are initially recognized 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 other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

<u>Financial assets at amortized cost</u> - A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Financial liabilities

Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

3. MATERIAL ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement loss and comprehensive loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI. Financial assets and liabilities at amortized cost are initially recognized at fair value, and are subsequently carried at amortized cost less any impairment.

Impairment

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash predominantly includes deposits held on call with a Canadian chartered bank, and funds in foreign bank accounts.

(f) Exploration and evaluation assets

Costs related to the acquisition of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Exploration and evaluation costs are recognized in profit or loss. Costs incurred before and after the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss until such time the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, after which such costs are capitalized. Upon achieving production, costs for a producing property will be amortized on a unit of-production method based on the estimated life of the ore reserves. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

(g) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is an indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any).

The recoverable amount used for this purpose is the higher of the fair value less costs to sell 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 assignments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the statement of loss and comprehensive loss.

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

(h) Reclamation obligations

The Company recognizes statutory, contractual, or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at the net present value of estimated future cash flows and the resulting costs are expensed to the statement of loss and comprehensive loss. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. For the periods presented, there were no reclamation obligations.

3. MATERIAL ACCOUNTING POLICIES (continued)

(i) Income taxes

Income tax expense is comprised of current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or profit or loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is possible that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(j) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, RSUs and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Company uses the residual approach when allocating the fair value of the share purchase warrants issued in conjunction with the offering of units through a private placement. The Company determines the fair value of the common share and the residual value is allocated to the share purchase warrant for unit offerings that contain a common share and a share purchase warrant.

(k) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. Common share equivalents have been excluded from the computation of diluted loss per share for the years presented as including them would have been antidilutive.

(l) Share-based compensation

The Company applies the fair value method of accounting for all stock option awards. Under this method, share-based compensation expense attributed to the award of options to employees is measured at the fair value of the award on the date of grant and is recognized over the vesting period of the award. Share-based compensation to non-employees is valued based on the fair value of the service received, if reliably determinable, otherwise based on the fair value of the award granted. Valuation is calculated based on the date at which the Company receives the service. If and when the stock options are ultimately exercised, the applicable amounts of other equity reserves are transferred to share capital.

The fair value of instruments granted is measured using the Black-Scholes Option Pricing Model, taking into account the terms and conditions under which the instruments are granted. The fair value of the awards is adjusted by an estimate of the number of awards that are expected to vest as a result of non-market conditions. At each statement of financial position date, the Company revises its estimates of the number of options that are expected to vest based on the non-market conditions including the impact of the revision to original estimates, if any, with corresponding adjustments to equity.

4. USE OF JUDGMENTS AND ESTIMATES

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Critical estimates

RTO transaction

As described in Note 5, estimates were required in order to determine the fair value of the consideration transferred by TCP1 to acquire the net assets of Fuerte.

Share-based compensation

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Critical judgments

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 2(c).

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of the Company's exploration and evaluation assets do not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to complete the exploration and development and upon future profitable production or proceeds from the disposition of the mineral property interests themselves. Judgment is required in assessing indicators of impairment and there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its mineral property interests or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

5. REVERSE TAKEOVER AND RELATED TRANSACTIONS

At the time of the RTO, the Company did not meet the definition of a business as defined under IFRS 3 *Business Combinations*. Accordingly, the transaction was accounted for as an asset acquisition in accordance with IFRS 2, *Share-Based Payment*. TCP1 was identified as the accounting acquirer that issued shares to acquire all of the net assets of Fuerte, the accounting acquiree, and its listing status. These consolidated financial statements are considered to be a continuation of the financial statements of TCP1, the accounting acquirer.

The acquisition-date fair value of the consideration transferred by the accounting acquirer, TCP1, for its interest in the accounting acquiree, Fuerte, of $6,846,476 is determined based on the fair value of the equity interest TCP1 would have had to give to the owners of Fuerte, before the reverse acquisition, to provide the same percentage equity interest in the combined entity that results from the reverse acquisition, and is recorded as an increase in common shares in the consolidated statement of financial position. In addition, transaction costs totalling $1,728,076 were incurred.

(Expressed in Canadian Dollars)

5. REVERSE TAKEOVER AND RELATED TRANSACTIONS (continued)

As the valuation of Fuerte's identifiable net assets at the reverse acquisition date was $3,056,017, the excess of consideration transferred over the net assets acquired of $5,518,535 is reflected as a "Listing expense" in the consolidated statement of loss and comprehensive loss. The fair value of the exploration and evaluation assets was determined based on the price paid by Fuerte for the Placeton Project on March 12, 2021. No value was attributed to the El Cofre project as the Company has no current plans to continue to carry out any substantial exploration of this project.

Consideration transferred at February 9, 2024:

Fair value of deemed issuance of 5,990,081 common shares to Fuerte shareholders (Note 8)	$	6,469,288
Fair value of deemed issuance of 254,446 stock options to Fuerte option holders		77,384
Fair value of deemed issuance of 1,171,528 warrants to Fuerte warrant holders		256,816
Fair value of deemed issuance of 48,333 RSUs to Fuerte RSU holders		42,988
		6,846,476
Transaction costs – cash		478,076
Acquisition costs – 1,157,407 common shares		1,250,000
Total consideration	$	8,574,552

Net assets of Fuerte Metals Corporation (formerly, Atacama Copper Corporation) acquired as at February 9, 2024

Cash	$	16,786
Receivables		39,833
Prepaid expenses		57,071
Exploration and evaluation assets (Note 6)		4,156,394
Accounts payable and accrued liabilities		(1,111,135)
Loans		(102,932)
Net assets acquired	$	3,056,017
Reverse acquisition expense	$	5,518,535

The fair value of the consideration transferred by the accounting acquirer was determined by using the share value in the concurrent Receipts private placement of $1.08 per common share multiplied by the number of shares of 5,990,081 for consideration of $6,469,288. RSUs were valued at $1.08 per RSU, adjusted to reflect the vested RSUs at February 9, 2024. The 254,446 share options were valued at a weighted average $0.30 per option using the Black-Scholes valuation model with the assumptions listed in the table below for a consideration of $77,384. The 1,171,528 warrants were valued at $0.22 per warrant using the Black-Scholes valuation model with the assumptions listed in the table below for a consideration of $256,816. In addition, 1,157,407 common shares were issued in satisfaction of a success fee of $1,250,000 related to the RTO.

The consideration for the common shares, the share options and the warrants represent the total consideration transferred by the accounting acquirer.

	Share Options	Warrants
Share price	$1.08	$1.08
Exercise price	$1.11 - $2.52	$1.80 - $3.60
Risk-free interest rate	3.73% - 4.33%	4.33%
Expected dividend yield	-	-
Expected stock price volatility	75% - 81%	77% - 78%
Expected option life in years	0.33 – 4.08	1.35 – 2.58

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

(a) Exploration and evaluation assets

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, other land claims and non-compliance with regulatory and environmental requirements.

At December 31, 2024, the Company has the following mineral exploration projects:

(i) The Company holds a 100% interest in the Yecora Project located in Mexico. Pursuant to the terms of the Yecora acquisition agreement, the Company is required to pay a sum of US$500,000 when the Company makes the decision to start production, and US$2,000,000 when the Company starts commercial production on any of the claims within the Yecora Project. The Yecora Project was subject to a 1% net smelter royalty ("NSR") which was repurchased in 2021 for US$1,500,000 ($1,892,148). There is a further obligation to register a 3% NSR which has not been completed as of the date of these consolidated financial statements.

(ii) The Company holds a 100% interest in the Cristina Project located in Mexico. There is an existing 2% NSR, held by Maverix Metals Inc. over all minerals produced from certain exploitation tenements included in the Cristina Project. The Company has the right to buy back 1% of the NSR for US$1,000,000.

(iii) The Company holds 100% of the rights to the Placeton Project which consists of the Placeton, Caballo Muerto and Los Naranjos projects. There is an existing 2% NSR over all minerals produced from the mining concession tenement groups that comprise the Placeton Project.

(iv) The Company holds 100% of the rights to the El Cofre Project, which represents 100% interest in various mining concession tenement groups. There is an existing 2% NSR over all minerals produced from certain tenements included in the El Cofre Project.

The carrying value of the exploration projects, by project, is as follows:

	Yecora	Cristina	Placeton	El Cofre	Total
Balance, December 31, 2022 and December 31, 2023	$ 1,905,936	$ 13,788	$ -	$ -	$ 1,919,724
RTO additions (Note 5)	-	-	4,156,394	-	4,156,394
Balance, December 31, 2024	$ 1,905,936	$ 13,788	$ 4,156,394	$ -	$ 6,076,118

(b) Exploration and evaluation expenditures

The Company's exploration and evaluation expenditures for the years ended December 31, 2024 and 2023 are as follows:

	Year ended December 31, 2024				
	Yecora	Cristina	Placeton	El Cofre	Total
Camp	$ -	$ -	$ 1,068	$ 1,250	$ 2,318
Claims, licences and permits	99,653	281,871	81,356	35,221	498,101
Consultants	-	59,869	27,312	-	87,181
Drilling	39,589	2,066,391	-	-	2,105,980
Geology and geophysics	-	104,059	344,810	542	449,411
Miscellaneous field costs	7,011	7,011	10,874	-	24,896
Property management	-	-	2,735	19,163	21,898
Travel	-	-	13,729	3,891	17,620
Total	$ 146,253	$ 2,519,201	$ 481,884	$ 60,067	$ 3,207,405

	Year ended December 31, 2023		
	Yecora	Cristina	Total
Camp	$ 15,471	$ 75,471	$ 90,942
Claims, licences and permits	83,569	278,750	362,319
Drilling	40,667	145,490	186,157
Geology and geophysics	169,108	68,900	238,008
Total	$ 308,815	$ 568,611	$ 877,426

(Expressed in Canadian Dollars)

7. LOANS

The following is a summary of changes in loans during the years ended December 31, 2024 and 2023:

	Year ended December 31, 2024	2023
Opening balance	$ 1,121,950	$ 1,145,800
Atacama loans on RTO (Note 5)	102,932	-
Accrued interest	597	-
Repaid in cash	(1,218,275)	-
Repaid in common shares	(50,000)	-
Foreign exchange	42,796	(23,850)
Ending balance	$ -	$ 1,121,950

The Company had two loans from Trinity Capital Partners Corporation, a related party, consisting of: (i) US$750,000 and (ii) $130,000. The loans were non-interest bearing and had no specific terms of repayment. Both loans were repaid in April 2024.

On closing of the RTO (see Note 5), the Company recognized unsecured loans from three arms-length parties for a total of $100,000 plus accrued interest to February 9, 2024 of $2,932. The terms of the loans were identical and as follows: Interest rate of 10% per annum with the principal and interest becoming due and payable upon the earlier of (i) completion by the Company of an equity financing exceeding $3 million or (ii) on July 1, 2024. On February 9, 2024, one loan's principal balance ($50,000) was repaid by the issuance of common shares of the Company (see Note 8(f)). On March 11, 2024, two of the loans were repaid in cash (including accrued interest) for a total of $51,775.

8. SHARE CAPITAL

Authorized: Unlimited common shares, without par value.

Issued and fully paid:	Number of Common Shares	Amount
Balance, December 31, 2022	5,728,859	$ 15,801,438
Private placement (a)	261,222	-
Balance, December 31, 2023	5,990,081	$ 15,801,438
Effect of reverse acquisition (Note 5)	37,916,849	6,469,288
Reverse acquisition costs (Note 5)	1,157,407	1,250,000
Private placement – subscription receipts (b)	11,834,159	11,893,573
Private placement – bridge financing (c)	92,593	100,000
Exercise of stock options (d)	2,847,712	1,752,543
Share issued re termination of consulting agreement (e)	1,157,428	1,250,000
Share issued in settlement of debts (f)	154,430	166,782
Exercise of Restricted Stock Units (g)	20,556	22,200
Balance, December 31, 2024	61,171,215	$ 38,705,824

(a) On June 15, 2023, Fuerte completed a private placement and issued 261,222 common shares.

(b) On February 9, 2024, the Company closed a private placement of subscription receipts for 11,834,159 common shares at a price of $1.08 per common share for gross proceeds of $12,780,892. In connection with this private placement, the Company incurred cash share issue costs of $680,929. The Company also issued a total of 409,995 agent's warrants in connection with the private placement. Each agent's warrant is exercisable at a price of $1.08 for a two-year period ending February 9, 2026. The fair value of the agent's warrants was valued at $206,390 using the Black-Scholes valuation model with the following inputs:

Share price	$1.08
Exercise price	$1.08
Risk-free interest rate	4.33%
Expected dividend yield	Nil
Expected stock price volatility	82%
Expected warrant life	2 years
Fair value of warrants granted (per warrant)	$0.50

(c) On February 9, 2024, the Company issued 92,593 common shares to close a private placement of $100,000.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

(d) As a condition of the RTO, all the in-the-money stock options of TCP1 were to be converted to common shares on a net exercise basis. This exercise of stock options was completed on February 8, 2024 with 6,125,016 stock options being exercised for proceeds of $439 resulting in the issuance of 2,843,823 common shares. $1,747,099 related to previously recorded stock-based compensation expense was reclassified from reserves to share capital. On May 16, 2024, 3,889 stock options were exercised for proceeds of $4,316. $689 related to previously recorded stock-based compensation expense was reclassified from reserves to share capital.

(e) In connection with a termination agreement signed between the TCP1 and a director of TCP1, the Company issued 1,157,428 common shares at a price of $1.08 per common share to satisfy a performance bonus in connection with the RTO of $1,000,000 and a $250,000 fee to terminate a consulting arrangement.

(f) Following completion of the RTO, the Company issued 154,430 common shares at a price of $1.08 per common share to satisfy the following debts: (i) 46,296 common shares ($50,000) as partial repayment of accrued salary to an officer of the Company; (ii) 61,837 common shares ($66,782) as repayment of accrued salary owed to an officer of the Company; and (iii) 46,297 common shares ($50,000) to repay a loan.

(g) In May, June and December 2024, a total of 20,556 restricted stock units were exercised for common shares. The previously recognized stock-based compensation expense of $22,200 was reclassified from reserves to share capital.

9. RESERVES

The Company's Long-Term Incentive Plan (the "Plan") includes stock options and restricted stock units ("RSUs") whereby the Company may grant equity incentives ("Awards") to directors, officers, employees and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the total number of issued and outstanding shares on the date the Awards are granted. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant. Investor relations service providers can only receive options as Awards under the Plan. Options are exercisable over periods of up to ten years as determined by the Board and are required to have an exercise price no less than the closing market price of the Company's shares prevailing on the day that the option is granted less a discount of up to 25%, the amount of the discount varying with market price in accordance with the policies of the TSX Venture Exchange. The Plan contains no vesting requirements but permits the Board to specify a vesting schedule in its discretion.

(a) Stock Options

The Company granted 1,625,000 stock options during the year ended December 31, 2024 at a weighted average exercise price of $1.27 per share. The weighted average Black-Scholes value per stock option granted during the year ended December 31, 2024 was $0.85 per share. The fair value of stock options issued was estimated at the grant date based on the Black-Scholes valuation model with the following assumptions:

Risk-free interest rate	3.73%
Expected dividend yield	Nil
Share price	$1.26 - $1.33
Expected stock price volatility	79 – 81%
Average expected option life	5 years
Fair value of options granted	$0.84 - $0.88

Pursuant to the Company's accounting policy for share-based payments, the fair value of options vesting during the year ended December 31, 2024, in the amount of $1,729,401 (year ended December 31, 2023 - $1,156,740) has been recorded in the consolidated statements of loss and comprehensive loss. Stock options and weighted average exercise prices are as follows for the reporting periods presented:

	Year ended December 31,					
	2024			2023		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of year	7,583,356[(1)]	$	0.91	7,583,356[(1)]	$	0.91
Granted	1,625,000		1.27	-		-
Deemed issuance of stock options on RTO (Note 5)	254,446		2.00	-		-
Exercised	(6,128,905)		0.58	-		-
Expired	(162,038)		2.24	-		-
Forfeited	(55,185)		1.25	-		-
Outstanding, end of year	3,116,674	$	1.77	7,583,356[(1)]	$	0.91

[(1)] TCP1 options as adjusted pursuant to the RTO transaction on February 9, 2024.

(Expressed in Canadian Dollars)

9. RESERVES (continued)

(a) Stock Options (continued)

As at December 31, 2024, the Company has the following stock options outstanding and exercisable:

Options Outstanding				Options Exercisable	
Number of Options	Expiry Date	Weighted average life (years)	Exercise Price	Number of Options	Exercise Price
1,093,755	February 9, 2025 (Note 16)	0.11	$2.31	1,093,755	$2.31
30,000	December 20, 2026	1.97	$2.52	30,000	$2.52
50,000	August 15, 2027	2.62	$1.20	50,000	$1.20
28,334	March 10, 2028	3.19	$1.11	18,890	$1.11
1,350,000	February 9, 2029	4.11	$1.26	450,004	$1.26
200,000	March 20, 2029	4.22	$1.33	50,000	$1.33
162,038	March 2, 2030	5.17	$2.31	162,038	$2.31
202,547	June 30, 2032	7.50	$2.31	202,547	$2.31
3,116,674		2.94	$1.77	2,057,234	$2.02

(b) Restricted Stock Units

Granted RSUs vest in three equal instalments beginning a year after the grant date. RSUs are subject to a restriction period which ends no later than December 31 of the calendar year three (3) years after the grant date, or as otherwise determined by the Board of Directors. During the year ended December 31, 2024 the Company granted 700,000 RSUs to directors and officers of the Company (year ended December 31, 2023 – Nil).

RSUs and weighted average fair values are as follows for the reporting periods presented:

	Year ended December 31, 2024		Year ended December 31, 2023	
	Number of RSUs	Weighted Average Fair Value	Number of RSUs	Weighted Average Price
Outstanding, beginning of year	-	$ -	-	$ -
Granted	700,000	1.26	-	-
Deemed issuance of RSUs on RTO (Note 5)	48,333	1.08	-	-
Exercised	(20,556)	1.08	-	-
Expired	(11,111)	1.08	-	-
Forfeited	(8,889)	1.08	-	-
Outstanding, end of year	707,777	$ 1.26	-	$ -

During the year ended December 31, 2024 the Company recognized $479,167 (year ended December 31, 2023 - $Nil) in share-based compensation expense related to the vesting of RSUs.

(c) Warrants

The number and weighted average prices of warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding as at December 31, 2023 and 2022	-	$ -
Deemed issuance of warrants on RTO (Note 5)	1,171,528	$ 3.59
Issued	409,995	$ 1.08
Outstanding as at December 31, 2024	1,581,523	$ 2.94

As at December 31, 2024, the Company has the following warrants outstanding and exercisable:

Expiry Date	Number ofWarrants	WeightedAverage Exercise Price	Weighted Average Remaining Life
June 15, 2025	4,861	$ 1.80	0.45
February 9, 2026	409,995	$ 1.08	1.11
September 7, 2026	1,166,667	$ 3.60	1.68
Total	1,581,523	$ 2.94	1.53

(Expressed in Canadian Dollars)

10. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to continue as a going concern that it may continue to explore and develop its mineral properties and continue its operations for the benefit of shareholders and also to support any business transaction that may occur. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is largely dependent upon external financing to fund its operations. To carry out its exploration operations and to continue to support its general and administrative activities, the Company will spend its existing working capital and raise additional funds as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2024. The Company is not subject to externally imposed capital requirements.

11. FINANCIAL INSTRUMENTS

(a) Categories of financial assets and financial liabilities

The Company's financial assets and financial liabilities are categorized as follows:

	Category	December 31, 2024	December 31, 2023
Cash and cash equivalents	Amortized cost	$ 5,575,071	$ 1,167,968
Receivables	Amortized cost	6,119	64,039
Accounts payable and accrued liabilities	Amortized cost	96,640	758,864
Loans	Amortized cost	-	1,121,950

(b) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels in which to classify the inputs of valuation techniques used to measure fair values.

Level 1 – quoted market prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly, such as prices, or indirectly (derived from prices).
Level 3 – inputs are unobservable (supported by little or no market activity) such as non-corroborative indicative prices for a particular instrument provided by a third party.

The recorded amounts for cash and cash equivalents, receivables, accounts payable and accrued liabilities and loans approximate their fair value due to the short-term maturities of these instruments and/or the market interest rate being earned or charged thereon. Income earned on the Company's cash and cash equivalents has been disclosed in the consolidated statements of loss and comprehensive loss under the caption "interest income".

12. FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation to financial instruments. The main types of risk are credit risk, liquidity risk and market risk. These risks arise from the normal course of the Company's operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with financial instruments and the policies on mitigation of such risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents and receivables. The Company limits its exposure to credit loss by placing its cash with major financial institutions. The Company believes its credit risk with respect to receivables is minimal as these are primarily from the Government of Canada. The Company's maximum credit exposure is limited to the carrying amount of its cash and cash equivalents and receivables.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENT RISKS (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company manages liquidity risk by ensuring that it has sufficient cash available to meet its obligations. These requirements are met through a combination of cash on hand, disposition of assets, accessing capital markets and loans.

At December 31, 2024, the Company's current liabilities consisted of trade and other payables of $96,640, due primarily within three months from the period end. The Company's cash of $5,575,071 at December 31, 2024, was sufficient to pay for these current liabilities.

(c) Market risks

The significant market risk exposures to which the Company is exposed are interest rate risk and currency risk.

Interest rate risk

The Company is exposed to interest rate risk to the extent that its cash and cash equivalents maintained at its financial institution are subject to floating rates of interest. The interest rate risk on cash is not considered significant.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in either United States dollars ("USD"), Chilean Pesos ("CLP") or Mexican Pesos ("MXN"). The table below shows the impact that a 5% fluctuation between the Canadian dollar and the foreign currencies noted above would have on the Company's comprehensive loss and net equity based upon the assets and liabilities held at December 31, 2024:

Financial Instrument Type		CAD Dollar	Currency		+/- 5% Fluctuation		
Cash	$	4,715	CLP	$	236	$	(236)
Cash		155,583	MXN		7,779		(7,779)
Accounts payable and accrued liabilities		(10,610)	CLP		(531)		531
Accounts payable and accrued liabilities		(48,526)	MXN		(2,426)		2,426
Total	$	101,162		$	5,058	$	(5,058)

Other Price Risk

The Company has limited exposure to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

13. SEGMENTED INFORMATION

The Company has one reportable segment, being the evaluation and exploration of mineral properties in the Americas. While the Company currently holds mineral properties in Chile and Mexico, all reporting to the chief decision maker is carried out on a consolidated basis.

Non-current assets are broken down by geographic region as follows at December 31, 2024:

		Mexico		**Chile**		**Total**
Exploration and evaluation assets	$	1,919,724	$	4,156,394	$	6,076,118

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS

Related party expenses and transactions

The Company incurred the following expenses with related parties:

		Year ended December 31,			
Related company	Nature of transactions		2024		2023
Trinity Advisors Corporation	Management fees	$	-	$	120,000
Durus Copper SPA	E&E expense		13,640		-
		$	13,640	$	120,000

Key management personnel compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers and/or companies controlled by those individuals.

Compensation paid to key management personnel for the years ended December 31, 2024 and 2023 are as follows:

	Year ended December 31,			
		2024		2023
Short-term benefits (i)	$	1,905,353	$	129,488
Share-based compensation		1,973,100		1,156,740
Total remuneration	$	3,878,453	$	1,286,228

(i) Short-term benefits include fees and salaries, including where those costs have been allocated to E&E expenditures (see Note 6(b)). These expenses include fees paid to CLMLC LLC.

Trinity Advisors Corporation ("TAC"), CLMLC LLC and Durus Copper SPA are related to the Company by way of directors, officers or shareholders in common. Durus Copper SPA ceased to be a related party on September 4, 2024. Related party transactions are recognized at the amounts agreed between the parties. Outstanding balances are unsecured and normally is settled in cash. Included in the expense to CLMLC LLC for the year ended December 31, 2024 is $1,250,000 that was settled by common shares as described in Note 8(e). TAC ceased to be a related party following completion of the RTO transaction (see Note 5).

$11,033 owing to CLMLC LLC was included in accounts payable at December 31, 2024 (December 31, 2023 - $32,617). $271,232 owing to TAC was included in accounts payable at December 31, 2023.

15. INCOME TAXES

A reconciliation of income tax computed at statutory rates to the reported income tax provision is as follows:

		Year Ended December 31, 2024		**Year Ended December 31, 2023**
Loss before income taxes	$	(13,840,377)	$	(2,296,926)
Canadian statutory rate		27%		27%
Expected tax (recovery)		(3,737,000)		(620,000)
Change in statutory, foreign tax, foreign exchange rates and other		(70,000)		(18,000)
Permanent differences		1,882,000		312,000
Share issue cost		(181,000)		-
Adjustment to prior year tax estimates		(19,000)		-
Impact of acquisition		(2,503,000)		-
Change in unrecognized deductible temporary differences		4,628,000		326,000
Deferred income tax recovery	$	-	$	-

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of the statement of financial position items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

(Expressed in Canadian Dollars)

15. INCOME TAXES (continued)

Deferred tax assets have not been recognized for the temporary differences noted below as the Company does not presently have sufficient evidence to establish that it is probable that the respective entities to which they relate will generate future taxable income against which to utilize the temporary differences.

	December 31, 2024	December 31, 2023
Non-capital losses available for future periods	$ 6,965,000	$ 2,857,000
Share issuance costs	525,000	8,000
Property and equipment	11,000	8,000
Exploration and evaluation assets	198,000	198,000
	7,699,000	3,071,000
Unrecognized deferred tax assets	(7,699,000)	(3,071,000)
Net deferred tax liability	$ -	$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have been included on the statement of financial position are as follows:

	2024	Expiry Date Range	2023	Expiry Date Range
Temporary differences				
Property and equipment	$ 40,000	No expiry date	$ 30,000	No expiry date
Share issuance costs	$ 1,947,000	2045 to 2049	$ 29,000	2044 to 2046
E&E assets	$ 733,000	No expiry date	$ 733,000	No expiry date
Non-capital losses available for future periods	$ 24,710,000	2028 onwards	$ 9,654,000	2028 to 2043
Canada	$ 11,885,000	2038 to 2044	$ 1,300,000	2038 to 2043
Mexico	$ 10,976,000	2028 to 2034	$ 8,354,000	2028 to 2033
Chile	$ 1,849,000	Indefinite	$ -	

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

16. SUBSEQUENT EVENTS

On February 3, 2025, the Company granted 737,500 stock options and 225,000 RSUs to directors, officers and employees of the Company.

On February 9, 2025, 1,093,755 stock options to acquire common shares at an exercise price of $2.31 per share expired.

17. CONTINGENCY

On November 26, 2024, the Company was served with a wrongful termination lawsuit by a former employee. The Company is currently assessing this claim, which it believes to be completely without merit, and which it intends to fully contest.