



Coppernico Metals Inc.

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Directors of
Coppernico Metals Inc.

Opinion

We have audited the accompanying consolidated financial statements of Coppernico Metals Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the year 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, 2023, and its financial performance and its cash flows for the year 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 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$3,671,018 during the year ended December 31, 2023, and has had no operating revenues or cash flows to date to support its activities. As stated in Note 1, 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.

Other Matters

The consolidated financial statements of Coppernico Metals Inc. for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 2023.

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 5 to the consolidated financial statements, the carrying amount of the Company’s E&E Assets was \$6,688,619 as of December 31, 2023. As more fully described in Note 3 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:

- Obtaining an understanding of the key controls associated with evaluating the E&E Assets for indicators of impairment.
- 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.
- Assessing compliance with agreements and expenditure requirements including reviewing option agreements and vouching payments.
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.
- Reviewing the status of community agreements with respect to the Company’s rights to access and explore its mineral concessions.

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:

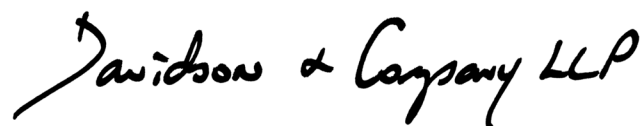
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 Daniel Nathan.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

March 11, 2024

Coppernico Metals Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	As at December 31, 2023	As at December 31, 2022
Assets		
Current assets:		
Cash	\$ 1,170,801	\$ 300,862
Amounts receivable	15,588	32,542
Prepaid expenses, deposits and other (Note 4)	294,636	213,344
	1,481,025	546,748
Non-current assets:		
Equity investments (Note 7)	121,991	130,966
Prepaid expenses, deposits and other (Note 4)	174,344	-
Mineral property interests (Note 5)	6,688,619	6,662,647
Total assets	\$ 8,465,979	\$ 7,340,361
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Note 6)	\$ 1,230,442	\$ 1,053,850
Short term loans and interest payable (Note 10(b))	52,100	-
“SAFE” financial liability (Note 8(b))	-	724,056
	\$ 1,282,542	\$ 1,777,906
Non-current liabilities:		
Accrued liabilities (Note 6)	169,975	-
Total liabilities	1,452,517	1,777,906
Equity		
Share capital (Note 8)	18,384,042	13,288,433
Warrant reserve (Note 9)	149,637	-
Accumulated other comprehensive income	89,036	212,257
Deficit	(11,609,253)	(7,938,235)
Total equity	7,013,462	5,562,455
Total liabilities and equity	\$ 8,465,979	\$ 7,340,361

Going concern (Note 1(c)), Commitment (Note 7), and Subsequent Events (Notes 8(b) and 10(b))

Approved on behalf of the Board of Directors:

“Ivan Bebek”

Interim Chair and Chief Executive Officer

“Jeffrey Mason”

Director

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

Coppernico Metals Inc.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars, except share amounts)

	Year ended December 31, 2023		Year ended December 31, 2022
Operating expenses:			
Exploration and evaluation	\$ 1,364,207	\$	1,438,069
Fees, salaries and other employee benefits	930,743		764,176
Legal and professional	198,323		188,904
Marketing and investor relations	213,967		170,709
Office and administration	303,369		320,085
Project investigation	585,619		546,167
Regulatory and transfer agent	48,376		43,091
Mineral property impairment (Note 5)	-		338,745
	3,644,604		3,809,946
Other expenses (income), net:			
Foreign exchange loss	25,296		22,356
Interest income	(25,964)		-
Net (income) loss from equity investments (Note 7)	(33,001)		20,202
Impairment of equity investment (Note 7)	57,583		-
Interest expense	2,500		-
Loss for the year	\$ 3,671,018	\$	3,852,504
Other comprehensive loss (income):			
Unrealized currency gain (loss) on translation	123,221		(383,561)
Comprehensive loss for the year	\$ 3,794,239	\$	3,468,943
Basic and diluted loss per share	\$ 0.03	\$	0.03
Basic and diluted weighted average number of shares	122,210,526		112,340,434

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

Coppernico Metals Inc.

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars, except share amounts)

	Number of common shares	Share capital	Warrant reserve	Accumulated other comprehensive income (loss)	Deficit	Total equity
Balance at December 31, 2021	112,340,434	\$ 13,288,433	\$ -	\$ (171,304)	\$ (4,085,731)	\$ 9,031,398
Other comprehensive income	-	-	-	383,561	-	383,561
Net loss	-	-	-	-	(3,852,504)	(3,852,504)
Balance at December 31, 2022	112,340,434	\$ 13,288,433	\$ -	\$ 212,257	\$ (7,938,235)	\$ 5,562,455
Securities issued pursuant to private placements, net of issue costs	22,809,048	4,363,673	149,637	-	-	4,513,310
Shares issued pursuant to SAFE conversion	2,439,787	731,936	-	-	-	731,936
Other comprehensive loss	-	-	-	(123,221)	-	(123,221)
Net loss	-	-	-	-	(3,671,018)	(3,671,018)
Balance at December 31, 2023	137,589,269	\$ 18,384,042	\$ 149,637	\$ 89,036	\$ (11,609,253)	\$ 7,013,462

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

Coppertino Metals Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31, 2023	Year ended December 31, 2022
Operating activities:		
Loss for the year	\$ (3,671,018)	\$ (3,852,504)
Adjusted for:		
Interest income	(25,964)	-
Non-cash transactions:		
Net unrealized foreign exchange loss	11,715	15,829
Mineral property impairment	-	338,745
Net (income) loss from equity investments	(33,001)	20,202
Impairment of equity investment	57,583	-
Interest expense	2,500	-
Changes in non-cash working capital:		
Amounts receivable	16,954	(12,367)
Prepaid expenses, deposits and other	(96,933)	147,020
Accounts payable and accrued liabilities	178,599	174,193
Cash used in operating activities	(3,559,565)	(3,168,882)
Investing activities:		
Acquisition of equity investment	-	(1,168)
Mineral property additions	(165,748)	(205,527)
Interest income	25,964	-
Cash used in investing activities	(139,784)	(206,695)
Financing activities:		
Proceeds from private placements, net of share issuance costs	4,495,791	724,056
Short term loans	75,000	-
Cash provided by financing activities	4,570,791	724,056
Effect of foreign exchange on cash	(1,503)	(12,886)
Change in cash	869,939	(2,664,407)
Cash, beginning of the year	300,862	2,965,269
Cash, end of the year	\$ 1,170,801	\$ 300,862

Supplemental cash flow information (Note 12)

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

Coppernico Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars, except share amounts)

Years ended December 31, 2023 and 2022

1. Business Overview

a) Corporate information

Coppernico Metals Inc. (the “Company” or “Coppernico”) was incorporated under the British Columbia Business Corporations Act on July 23, 2020. Coppernico is an unlisted reporting issuer in the provinces of British Columbia, Alberta, and Ontario and its 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 in South America.

On June 22, 2021, the Company announced that it had filed an election with the Canada Revenue Agency, which was accepted, whereby the Company became a public corporation under the Income Tax Act (Canada) (the “Tax Act”). As a result of this election, the shares of the Company are qualified investments under the Tax Act and the Regulations thereto.

b) Nature of operations

The Company’s primary asset is the Sombrero copper-gold district located in southern Peru. The Sombrero district which includes the Company’s flagship Sombrero project plus its ancillary concessions, covers approximately 103,000 hectares in which it holds direct and indirect interests through a combination of staking and option agreements. The Company has not yet determined whether the properties contain mineral reserves where extraction is both technically feasible and commercially viable.

As a normal part of the exploration process, Coppernico seeks to enter into access and use agreements with local communities within and surrounding its projects, and in November 2023 signed an agreement with the Huancasancos community which provides access to a key portion of the Sombrero project. 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 progress toward additional access agreements will continue, although there can be no certainty at this time about the timing or extent of additional agreements. The Company continues to have regular communications with the communities and is actively working towards securing access to the other project areas.

c) Going concern

As at December 31, 2023, the Company had a net working capital surplus of \$198,483 (December 31, 2022 – working capital deficit of \$1,231,158) while it incurred a net loss of \$3,671,018 for the year ended December 31, 2023 (2022 - 3,852,504). The Company has no operating revenue to date and no operating cash flow to support its activities. With no source of revenue, there is no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. The ability to continue as a going concern remains dependent upon Coppernico’s ability to obtain the financing necessary to continue 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 (the “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 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.

Coppernico Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars, except share amounts)

Years ended December 31, 2023 and 2022

2. Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (“IASB”).

These financial statements were approved and authorized for issuance on March 11, 2024, by Coppernico’s Board of Directors.

b) Basis of presentation

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

c) Basis of consolidation

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

Subsidiary	Place of incorporation	Functional Currency	Beneficial Interest
Sombrero Minerales, S.A.C.	Peru	US\$	100%

These financial statements include a 50% investment in Universal Mineral Services Peru S.A.C. (“UMS Peru”) and a 25% investment in Universal Mineral Services Ltd. (“UMS Canada”) which are shared service entities (Notes 3(d) and 7).

d) Functional and presentation currency

The financial statements of the Company and its subsidiary are prepared in the respective entity’s functional currency determined on the basis of the primary economic environment in which such entities operate. The Company’s functional and presentation currency is the Canadian dollar while the functional currency of its Peruvian subsidiary is the United States dollar. These financial statements are presented in Canadian dollars, unless otherwise noted. Amounts denominated in US dollars are denoted as US\$.

3. Material accounting policies

a) Foreign currency translation

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

Coppernico Metals Inc.

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(Expressed in Canadian dollars, except share amounts)

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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 subsidiary, Coppernico translates the Peruvian subsidiary's 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

Cash consists of cash on hand and demand deposits.

c) 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 annual concession fees, costs related to surface access agreements, 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.

Coppertino Metals Inc.

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(Expressed in Canadian dollars, except share amounts)

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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.

d) Equity investments

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

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

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.

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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) 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, share options and share purchase warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax. Equity instruments issued to agents as financing costs are measured at their fair value at the date the services were provided.

Valuation of equity units issued in private placements

The Company allocates the proceeds from the issuance of units between common shares and share purchase warrants using the residual value method at the date of issuance. The fair value of the common shares is based on the market closing price prior to the issuance of the units and the fair value of the share purchase warrants is measured as the difference between this amount and the net proceeds received. Given the Company's shares are not currently listed and traded on an exchange, in order to determine the market price of the shares the Company uses the market approach and considers prices and other relevant information generated by market transactions involving comparable companies.

Any value attributed to the warrants is recorded to reserves. Upon exercise, the fair value is reallocated from share purchase warrants reserve to issued share capital along with the associated proceeds from exercise.

i) 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. Anti-dilutive securities are excluded from the calculation.

j) Income taxes

Income tax reported in the consolidated statement of loss and comprehensive loss for the period presented 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

Coppernico Metals Inc.

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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.

Amortized cost

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 include cash, amounts receivable and deposits.

Fair value through other comprehensive income ("FVTOCI")

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.

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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.

As at December 31, 2023, the Company's financial liabilities at amortized cost include accounts payable and accrued liabilities as well as short-term loans and interest payable (as at December 31, 2022, accounts payable and accrued liabilities, and the SAFE financial liability).

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) Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the 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.

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. Determination of functional currency involves certain judgements to determine the primary economic environment of an entity. The Company re-evaluates the functional currency of its entities when there is a change in events and conditions which previously determined the primary economic environment of an entity.

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

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

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iii. Income taxes

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

iv. 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.

n) Application of new and revised accounting standards

There are amendments to accounting standards, which are effective for annual periods beginning on or after January 1, 2023, as follows:

On May 7, 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The adoption of the new standard did not impact the financial statements of the Company.

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments, which became effective January 1, 2023, help to distinguish changes in accounting policies from changes in accounting estimates. The Company is now applying the definition of accounting estimates when assessing any changes and as a result, the adoption of the new standard did not have a current impact on the financial statements of the Company.

On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies and help companies provide useful accounting policy disclosures. The adoption of the new standard, effective January 1, 2023, resulted in certain changes to the Company's accounting policies disclosure.

o) Standards issued but not yet effective

On January 23, 2020 and October 31, 2022, the IASB issued amendments to IAS 1 to clarify that the classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period and that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. For liabilities with covenants, the amendments clarify that only covenants with which an entity is required to comply on or before the reporting date affect the classification as current or non-current. The Company will adopt the amendments to IAS 1 effective January 1, 2024. These amendments are not expected to have a significant impact on the Company's statement of financial position on the date of adoption.

On September 22, 2022, the IASB issued amendments to IFRS 16 to add subsequent measurement requirements for sale and leaseback transactions, particularly those with variable lease payments. The amendments require the

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seller-lessee to subsequently measure lease liabilities in a way such that it does not recognize any gain or loss relating to the right of use it retains. The amendments are effective on January 1, 2024, and are not expected to have a significant impact on the Company's financial statements.

On May 25, 2023, the IASB issued amendments to IAS 7 requiring entities to provide qualitative and quantitative information about their supplier finance arrangements. In connection with the amendments to IAS 7, the IASB also issued amendments to IFRS 7 requiring entities to disclose whether they have accessed, or have access to, supplier finance arrangements that would provide the entity with extended payment terms or the suppliers with early payment terms. These amendments are effective on January 1, 2024, and are not expected to have a significant impact on the Company's financial statements.

4. Prepaid expenses, deposits and other

The Company makes short term advances to third parties in the normal course of business and to UMS Canada and UMS Peru in accordance with the respective service agreements (Note 7). Typically, such prepayments are made in relation to annual insurance policies, software renewals and marketing activities, such as conference fees. Also included is the working capital deposit held by UMS Canada (Note 10(a)).

In November 2023, the Company entered into an access and use agreement with a local community which provides the Company with surface rights to the respective area over the three-year term of the agreement and as a result, as at December 31, 2023, an asset has been recorded within prepaid expenses, deposits and other, a portion of which is presented as non-current.

5. Mineral property interests

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

		Sombrero		Takana		Total
Balance as at December 31, 2021	\$	6,145,328	\$	225,426	\$	6,370,754
Mineral property additions		205,527		-		205,527
Mineral property impairment		(100,320)		(238,425)		(338,745)
Currency translation adjustment		412,112		12,999		425,111
Balance as at December 31, 2022	\$	6,662,647	\$	-	\$	6,662,647
Mineral property additions		181,619		-		181,619
Currency translation adjustment		(155,647)		-		(155,647)
Balance as at December 31, 2023	\$	6,688,619	\$	-	\$	6,688,619

a) Sombrero Project

The Sombrero copper-gold project, located in Southern Peru, covers approximately 103,000 hectares acquired through a combination of staking and option agreements. On June 28, 2023, the Company rationalized its land position at the Sombrero project resulting in a reduction in claims from approximately 133,000 hectares to approximately 103,000 hectares. The Company has maintained all of its priority claims which are outlined below:

Ownership	Registered Owner	Number of claims	Hectares
Direct	Sombrero Minerales S.A.C.	114	100,800
Molleacruz Option	Ingrid Prado Pinto	4	1,300
Aceros Option	Corporación Aceros Arequipa S.A.	3	600

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i. Sombrero Project – Mollecruz Option

On June 22, 2018, the Company entered an option agreement (the “Mollecruz Option”) giving the Company the right to acquire a 100% interest in the Mollecruz concessions which are located in the northern area of the Sombrero project. Under the Mollecruz Option, the Company may acquire a 100% interest, subject to a 0.5% net smelter royalty (“NSR”), through a combination of work expenditures and cash payments as detailed below:

Due Dates	Property Payment / Work Expenditure Status	Property Payments (in US\$'000)	Work Expenditures (in US\$'000)
June 22, 2018	Completed	\$50	\$ -
Subject to access	Completed/Deferred	50	150
Subject to access	Deferred	100	150
Subject to access	Deferred	200	500
Subject to access	Deferred	300	700
Subject to access	Deferred	900	1,500
Total		\$1,600	\$3,000

Effective May 20, 2019, the Company formally declared the existence of a force majeure event under the Mollecruz Option thereby deferring the Company’s obligation to make the June 2019 property payments and any subsequent property payments and work expenditures for a maximum of 24 months from the declaration date. On March 1, 2021, the Company agreed with the owner to further extend the force majeure declaration and as consideration paid US\$50,000 in relation to the June 2019 property payment. Most recently, on May 15, 2023, the Company amended its Mollecruz Option again and this time extended the recognition of the force majeure status until such time as an agreement or agreements are in place that allow the Company to access the Mollecruz concessions in order to carry out exploration work. A payment of US\$5,000 was confirmed and paid at the time of amendment and will be paid annually under the option agreement until access to the concessions is achieved by the Company.

To date, the Company has not been able to reach an access agreement with the local community in order to commence work in the region but has continued to have open communications with the community and continues to negotiate in good faith to obtain access to the property.

ii. Sombrero Project - Aceros Option

On December 13, 2018, the Company entered a series of agreements (the “Aceros Option”) with Corporacion Aceros Arequipa S.A. (“Aceros”) giving the Company the right to option three key mineral concessions located within the Company’s Sombrero project. If the Aceros Option is exercised, a joint venture would be formed in which the Company would hold an 80% interest (Aceros – 20%). The joint venture would combine the 530 hectares Aceros concessions plus 4,600 hectares of the Company’s Sombrero land position.

Below is a schedule of work expenditures and cash payments required of which approximately US\$0.8 million of work expenditures have been completed to date. In 2021, the Company amended the agreement with Aceros to extend the deadlines for the work expenditure requirements dependent on access to the concessions, which has not been obtained as of December 31, 2023, in exchange for an additional annual payment of US\$100,000 for the period that the Aceros Option is in place.

Due Dates	Property Payment / Work Expenditure Status	Property Payments (in US\$ '000)	Work Expenditures (in US\$'000)
December 13, 2018	Completed	\$140	\$ -
December 13, 2019	Completed	60	150
Within 6 months of obtaining access	Completed	250	500
Within 24 months of obtaining access	Completed / Outstanding	350	1,500
Within 36 months of obtaining access	Outstanding	-	3,000
Total		\$800	\$5,150

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In each of January 2023 and 2022, the Company paid the annual US\$118,000 holding payment required under the terms of the Aceros Option. The payments were inclusive of 18% Value Added Tax ("IGV") in Peru which is not recoverable.

iii. Sombbrero Project - Soldaduyocc Option

On March 31, 2021, the Company entered into an option agreement (the "Soldaduyoc Option") with Ximenita de Casma S.M.R.L to acquire the Soldaduyocc concession in Peru. Under the terms of the Soldaduyocc Option, Sombbrero Minerales S.A.C., a wholly owned subsidiary of Coppernico, had the option to acquire the Soldaduyocc concession for US\$199,500. An initial payment of US\$79,500 (\$100,600) was paid on execution of the agreement.

On June 7, 2022, the Company gave notice to Ximenita de Casma S.M.R.L to terminate its option in the Soldaduyocc concession and therefore incurred an impairment of \$100,320 (US\$80,000) in relation to that concession.

iv. Sombbrero Project - Guadalupe concession

In August 2022 the Company paid \$45,226 (US\$35,000) (partially prepaid) regarding the Guadalupe concession.

b) Takana District

On July 22, 2021, the Company entered into a share purchase option agreement ("Share Purchase Option") with Pembroke Copper Corp ("Pembroke") to acquire Pembroke's Peruvian subsidiary, Chukuyo Exploraciones S.A.C. ("Chukuyo"), which owns the Takana copper-nickel district ("Takana") located in southeastern Peru.

During the year ended December 31, 2022, the Company relinquished the option agreement on its Takana district claims and recognized an impairment of \$238,425 for the year ended December 31, 2022.

6. Accounts payable and accrued liabilities

The Company records accounts payable and accrued liabilities that arise in the normal course of business, in relation to its exploration and evaluation, and other activities. More specifically, the Company makes accruals for annual concession and penalty fees in the period to which they relate. Despite Peruvian rules allowing companies to defer payment of these fees, the Company does not have a practical ability to avoid such payments as such avoidance would result in the loss of its mineral properties.

As at December 31, 2023, the Company has accrued a provision of \$692,106 for concession and penalty fees, of which \$522,131 is due to be paid in 2024 and \$169,975 is due to be paid in 2025 (\$528,216 was accrued at December 31, 2022 and due to be paid in 2023). Also included in the balance at December 31, 2023, is the provision for contractual obligations that the Company has under the social access agreement that was signed in November 2023.

7. Equity investments

Investment in Associate - UMS Canada

UMS Canada is located in Vancouver, BC, and provides geological, financial and transactional advisory services as well as administrative services to the Company and three other companies on a cost recovery basis. In 2022, the Company acquired a 25% share interest in UMS Canada and accounts for this investment as an associate. UMS Canada is party to a Vancouver, B.C., office lease agreement with a total term of ten years, for which certain rent expenses will be payable by the Company. As at December 31, 2023, the Company expects to incur approximately \$0.9 million in respect of future lease payments for the remaining 7.5 years of the lease.

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Investment in Joint Venture - UMS Peru

UMS Peru is a company incorporated under Peruvian law, which has provided administrative and geological services to Sombrero Minerales S.A.C. and the Peruvian subsidiaries of Tier One Silver Inc. In 2022, the Company acquired a 50% ownership of UMS Peru and accounts for this investment as a joint venture. UMS Peru charges its services at cost plus a markup of 5% for administrative services and 7% for geological services.

As at December 31, 2023, the Company is no longer using the services of UMS Peru, which is in the process of being wound up. As a result, the Company has written off the amount of its investment in UMS Peru, being \$41,976, and the \$15,607 deposit held by UMS Peru as it is not expected to be recovered. A total impairment of \$57,583 was recorded through the statement of loss for the year ended December 31, 2023.

Summarized financial information of UMS Canada and UMS Peru

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

	UMS		UMS	
	Canada		Peru	
For the year ended December 31, 2023				
Cost recoveries	\$	(5,517,220)	\$	(1,009,402)
Geological services		1,907,436		584,622
Administrative services		3,629,917		348,713
Net loss (income) for the year		20,133		(76,067)
Company's share of net loss (income)	\$	5,033	\$	(38,034)

	UMS		UMS	
	Canada		Peru	
For the year ended December 31, 2022				
Cost recoveries	\$	(4,422,927)	\$	(919,657)
Geological services		1,672,861		598,516
Administrative services		2,845,971		313,593
Net loss (income) for the year		95,905		(7,548)
Company's share of net loss (income)	\$	23,976	\$	(3,774)

The carrying amounts of the Company's investments in UMS Canada and UMS Peru as at December 31, 2023, were as follows:

	UMS		UMS		Total
	Canada		Peru		
Acquisition of equity investment	\$	151,000	\$	168	\$ 151,168
Company's share of net (loss) income		(23,976)		3,774	(20,202)
Carrying amount as at December 31, 2022	\$	127,024	\$	3,942	\$ 130,966
Company's share of net (loss) income for the year		(5,033)		38,034	33,001
Impairment of investment		-		(41,976)	(41,976)
Carrying amount as at December 31, 2023	\$	121,991	\$	-	\$ 121,991

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The Company's equity interest in net assets and liabilities of UMS Canada and UMS Peru as at December 31, 2023, were as follows:

	UMS Canada		UMS Peru	
Current assets	\$	843,647	\$	58,923
Non-current assets		2,468,384		115,140
Current liabilities		(1,484,317)		(90,112)
Non-current liabilities		(1,339,752)		-
Net assets - 100%		487,962		83,951
Company's equity interest in net assets	\$	121,991	\$	41,976
Impairment of Company's equity interest		-		(41,976)
Company's carrying amount at December 31, 2023	\$	121,991	\$	-

8. Share capital

- Authorized - unlimited common shares without par value.
- Common share issuances

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

On February 22, 2023, and May 5, 2023, the Company closed two tranches of a non-brokered private placement (the "January 2023 Placement"). In the two tranches of the January 2023 Placement, the Company issued a total of 7,845,332 common shares at a price of \$0.30 per share for gross proceeds of \$2,353,600. In combination with the January 2023 Placement tranches, the Company issued 2,439,787 common shares, at a price of \$0.30 per common share for aggregate gross proceeds of \$731,936, to settle and thereby extinguish, the SAFE financial liability that was recorded as at December 31, 2022. Share issue costs incurred in relation to the January 2023 Placement totaled \$63,209.

On October 19, 2023, and December 20, 2023, the Company closed two tranches of a non-brokered private placement (the "September 2023 Placement"). In the two tranches of the September 2023 Placement, the Company issued a total of 14,963,716 units at a price of \$0.15 per unit for gross proceeds of \$2,244,557. Each unit consisted of a common share and a share purchase warrant, exercisable at \$0.30 until the fifth anniversary of listing the Company's common shares on a recognized stock exchange (the "Listing"). As part of the September 2023 Placement, the Company issued shares to settle, and thereby extinguish, \$25,400 of loan and interest payable to one of the directors of the Company (Note 10(b)). Share issue costs for the September 2023 Placement's two tranches totaled \$21,638.

Subsequent to year end, on January 17, 2024, the Company closed the third and final tranche of its September 2023 Placement. The Company issued 898,333 units for gross proceeds of \$134,750. All terms for the third tranche were consistent with the aforementioned.

The Company applied the residual value approach to allocate the proceeds received from the September 2023 Placement unit offering to their respective components (shares and warrants). Using this approach, the Company attributed a residual value of \$149,637 to the warrants issued in 2023, which is recorded within the warrant reserve.

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

In December 2022, the Company announced a private placement for simple agreements for future equity ("SAFE"), which were classified as a current financial liability. In January 2023, the Company announced that it had superseded the terms of the financing and set a price for the replacement financing of \$0.30 per common share.

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As part of the January 2023 Placement, all the SAFE holders exchanged their investments for common shares of the Company.

9. Warrant reserve

Share purchase warrants

The continuity of the share purchase warrants issued and outstanding is as follows:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2022	-	-
Issued	14,963,716	0.30
Outstanding, December 31, 2023	14,963,716	\$ 0.30

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

Expiry date	Warrants outstanding	Exercise price
5 years from date of Listing	14,963,716	\$ 0.30
	14,963,716	\$ 0.30

10. Related party transactions

Related party transactions are those with entities over which the Company has control or significant influence, or with key management personnel, being those having the authority and responsibility for planning, directing, and controlling the Company. A summary of the Company's related party transactions for the years ended December 31, 2023, and 2022, is as follows:

a) UMS Canada and UMS Peru

Due to the Company having an ownership interest in both UMS Canada and UMS Peru (Note 7) they are classified as related parties. All transactions with UMS Canada and UMS Peru 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.

	Years ended December 31,	
	2023	2022
Exploration and evaluation	\$ 289,233	\$ 377,033
Project investigation	363,149	350,996
Marketing and investor relations	127,090	55,422
General and administration	802,987	736,507
Total transactions for the year	\$ 1,582,459	\$ 1,519,958

As at December 31, 2023, \$130,388 (December 31, 2022 - \$92,014) was included in accounts payable and accrued liabilities and \$114,712 (December 31, 2022 - \$120,000) in prepaid expenses, deposits and other relating to transactions with UMS Canada. Including the original deposit of \$150,000 advanced to UMS Canada for working capital purposes, the Company had a net deposit balance of \$134,324 with UMS Canada as at December 31, 2023.

As at December 31, 2023, the Company had a working capital deposit with UMS Peru in the amount of \$15,607 (December 31, 2022 - \$nil) which the Company does not expect to recover (Note 7) and therefore an impairment charge for the full amount has been recorded through the statement of loss for the year ended December 31, 2023.

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b) Key management compensation

The Company provided the following compensation to key management and Board members, being its four executives, of which one is a director, and six non-executive directors:

	Years ended December 31,	
	2023	2022
Fees, salaries and other employee benefits provided to executives	\$ 805,652	\$ 526,120
Fees, salaries and other employee benefits to non-executive directors	161,188	149,700
	\$ 966,840	\$ 675,820

As at December 31, 2023, in addition to the loan discussed below, the Company had an outstanding accounts payable balance with key management personnel of \$115,101 which primarily related to the approved 2022 bonus awarded by the Board in the first quarter of 2023 (December 31, 2022 - \$95,896).

During the year ended December 31, 2023, five directors of the Company loaned a total of \$75,000 in cash to the Company under an unsecured promissory note arrangement at annualized interest rate of 12% and with the intention of being repaid by the Company on the earlier of 90 days from the date of loaning the funds or two days following a financing of at least \$1,000,000. These funds were advanced between August 30, 2023 and September 1, 2023. As additional compensation for the loan, each of the lending directors would receive common share purchase warrants (the "Bonus Warrants") exercisable at a price per share equal to the first common share equity financing of the Company in an amount of at least CAD\$1,000,000. The Bonus Warrants will have a three-year term from the date of exercise pricing determination.

On October 20, 2023, \$25,000 of the loan, plus accrued interest, was converted into shares of the Company (Note 8(b)) and on November 30, 2023, repayment terms for the remaining \$50,000 of loans were extended to January 31, 2024. Subsequent to year end, the balance was paid in full, inclusive of accrued interest, and 120,000 Bonus Warrants were issued at an exercise price of \$0.15 per common share.

11. 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,	December 31,
	2023	2022
Loss before income taxes	\$ (3,671,018)	\$ (3,852,504)
Effective income tax rates	27%	27%
Expected income tax recovery	(991,175)	(1,040,176)
Increase (decrease) in income tax recovery resulting from:		
Change in prior year estimates	59,885	7,492
Difference in foreign tax rates	(41,254)	(47,663)
Non-deductible expenses and foreign exchange	(239,872)	170,678
Change in non-recognized deferred tax assets	1,212,416	909,669
Income tax recovery	\$ -	\$ -

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

	December 31, 2023		December 31, 2022
Non-capital losses carried forward	\$ 2,069,101	\$	1,445,332
Financing costs	18,327		-
Mineral property interests	2,680,166		2,102,069
Peruvian VAT receivable	83,770		68,638
	4,851,364		3,616,039
Unrecognized deferred tax assets	(4,851,364)		(3,616,039)
Net deferred tax balance	\$ -	\$	-

c) Tax losses

As at December 31, 2023, the Company has Canadian non-capital losses of approximately \$5,273,412 (December 31, 2022 - \$3,439,490) which may be carried forward to reduce taxable income of future years, and which, if unused expire 2040 through 2043.

The Company has Peruvian non-capital losses of approximately \$2,187,389 (December 31, 2022 – \$1,871,237), which may be carried forward to reduce taxable income of future years and which, if unused, expire 2024 through 2026.

12. Supplemental cash flow information

Cash flows were impacted by the following non-cash transactions:

	December 31, 2023		December 31, 2022
Issuance of common shares to settle the "SAFE" liability (Note 8(b))	\$ (731,936)	\$	-
Issuance of common shares to settle loan and interest payable (Note 8(b))	(25,400)		-
Share issuance costs incurred in relation to private placements	7,881		(7,881)
Mineral property additions in accounts payable and accrued liabilities	15,871		-

There were no income taxes or interest paid during the years ended December 31, 2023, and 2022.

13. Financial instruments

The Company's financial instruments consist of cash, amounts receivable, deposits, accounts payable and accrued liabilities, short term loans and interest payable as well as the SAFE financial liability, which are classified as and measured at amortized cost. The fair values of these financial instruments approximate their carrying values due to their short-term nature.

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, 2023 and 2022, there were no financial instruments measured at fair value.

The Company's financial instruments are exposed to liquidity risk, credit risk and market risk, which includes currency risk. As at December 31, 2023, the primary risks were as follows:

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a) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. As the Company's operations do not generate cash, financial liabilities are discharged using funding through the issuance of common shares or debt as required. As at December 31, 2023, the Company did not have sufficient cash on hand to discharge its financial liabilities as they become due and will require additional funding to continue operations for the upcoming year to complete its planned activities.

As at December 31, 2023, the Company has total current liabilities of \$1,282,542, which include current accounts payable and accrued liabilities, as well as loans and interest payable, and are due to be paid within 12 months. In addition, the Company has recorded non-current accrued liabilities related to 2023 concession penalty fees associated with its Sombrero project totaling \$169,975 which are due by June 30, 2025 (Note 6).

b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet an obligation under contract. Credit risk exposure arises with respect to the Company's cash, amounts receivable and deposits. The risk exposure is limited because the Company's cash is held with highly rated financial institutions in interest-bearing accounts, the amounts receivable consist of GST receivable from the Government of Canada and the deposit is held by UMS Canada. The carrying amount of the Company's financial assets, being \$1,301,101, represents the maximum exposure to credit risk.

c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Canadian parent company is exposed to U.S. dollar (US\$) foreign currency risk with the Canadian dollar ("C\$") functional currency, and the Peruvian subsidiary is exposed to Peruvian Soles (PEN) foreign currency risk with the US\$ functional currency. As at December 31, 2023, the Company's foreign currency exposure related to its financial assets and liabilities held in US\$ and PEN is as follows:

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

	December 31, 2023	December 31, 2022
Peruvian soles expressed in C\$		
Period end exchange rate C\$ per Peruvian sol	\$ 0.3569	\$ 0.3557
Financial assets	\$ 1,274	\$ 7,520
Financial liabilities	(675,139)	(148,756)
Net exposure	\$ (673,865)	\$ (141,236)
US\$ expressed in C\$		
Period end exchange rate C\$ per US\$	\$ 1.3226	\$ 1.3544
Financial assets	\$ 359	\$ 4,541
Financial liabilities	-	(5,777)
Net exposure	\$ 359	\$ (1,236)

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

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14. Segmented information

The Company operates in one reportable segment, being the exploration and evaluation of unproven exploration and evaluation assets. The Company's primary exploration and evaluation assets are located in Peru, and its corporate assets, comprising mainly cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results. All corporate expenses are incurred in Canada.

15. Management of capital

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

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