

MAGMA SILVER CORP.
(formerly African Energy Metals Inc.)
CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 30, 2025 and 2024
(Expressed in United States Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Magma Silver Corp. (formerly African Energy Metals Inc.)

Opinion

We have audited the consolidated financial statements of Magma Silver Corp. (formerly African Energy Metals Inc.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficit), and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, 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 ("IFRS").

Basis for Opinion

We conducted our audits 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had no revenues, incurred a net loss of \$2,092,142 and had negative cash flows from operations during the year ended December 31, 2025 and, as of that date, the Company had an accumulated deficit of \$31,068,838. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. 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. Except for the matter described in the *Material Uncertainty Related to Going Concern* section of our report, we have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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. If, based on the work we have performed, 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, 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 period and 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 Henry Chow.

A handwritten signature in black ink that reads "SATURNA GROUP LLP". The letters are cursive and somewhat stylized, with the 'S' being particularly large and the 'L' having a long tail.

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

April 27, 2026

Magma Silver Corp.
(formerly African Energy Metals Inc.)
Consolidated Statements of Financial Position
As at December 31, 2025
(Expressed in United States dollars)

	Notes	December 31, 2025	December 31, 2024
ASSETS			
Current assets			
Cash		\$ 3,620,474	\$ 27,716
GST receivable		48,448	3,336
Prepaid expenses		48,018	1,650
Total current assets		3,716,940	32,702
Non-current assets			
Exploration and evaluation assets	3	477,153	-
Total assets		\$ 4,194,093	\$ 32,702
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities			
Accounts payable and accrued liabilities	4	\$ 59,715	\$ 90,804
Loans payable		-	1,429
Total liabilities		59,715	92,233
Shareholders' equity			
Share capital	5	24,357,584	20,195,100
Share-based reserves	5	10,665,794	8,607,109
Accumulated other comprehensive income		179,838	114,956
Deficit		(31,068,838)	(28,976,696)
Total shareholders' equity (deficit)		4,134,378	(59,531)
Total liabilities and shareholders' equity (deficit)		\$ 4,194,093	\$ 32,702

Nature of operations and going concern (Note 1)

Subsequent events (Note 9)

On behalf of the Board of Directors:

Stephen Barley

Director

Arndt Roehlig

Director

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

Magma Silver Corp.
(formerly African Energy Metals Inc.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States dollars)

	Notes	Year ended December 31, 2025	Year ended December 31, 2024
EXPENSES			
Filing fees		\$ 90,569	\$ 20,582
Investor relations		311,868	7,782
Marketing		244,628	-
Management and consulting	6	542,307	69,246
Office expense		36,585	4,166
Professional fees		194,369	77,449
Project generation		-	7,831
Share-based payments	5, 6	513,229	-
Travel and accommodations		181,864	1,495
TOTAL EXPENSES		2,115,419	188,551
NET LOSS BEFORE OTHER INCOME (EXPENSE)		(2,115,419)	(188,551)
OTHER INCOME (EXPENSE)			
Interest expense		(270)	(5,174)
Interest income		4,750	-
Loss on foreign exchange		(128)	(280)
Loss on settlement of debt	5	-	(10,934)
Write off of accounts payable		18,925	383,592
TOTAL OTHER INCOME (EXPENSE)		23,277	367,204
NET INCOME (LOSS)		\$ (2,092,142)	\$ 178,653
OTHER COMPREHENSIVE INCOME (LOSS)			
Foreign exchange translation loss		64,882	34,092
TOTAL COMPREHENSIVE INCOME (LOSS)		\$ (2,027,260)	\$ 212,745
Earnings (loss) per share - basic and diluted		\$ (0.05)	\$ 0.03
Weighted average number of shares outstanding		41,639,583	5,768,336

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

Magma Silver Corp.
(formerly African Energy Metals Inc.)
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Expressed in United States dollars)

	Share Capital		Share-based reserves	Accumulated other comprehensive income	Deficit	Total shareholders' equity (deficit)
	Number	Amount				
Balance, December 31, 2023	5,016,970	\$ 19,951,931	\$ 8,442,791	\$ 80,864	\$ (29,155,349)	\$ (679,763)
Private placement	10,000,000	192,282	164,318	-	-	356,600
Share issuance costs	-	(2,603)	-	-	-	(2,603)
Shares issued for settlement of debt	1,000,000	53,490	-	-	-	53,490
Foreign exchange translation loss	-	-	-	34,092	-	34,092
Net income	-	-	-	-	178,653	178,653
Balance, December 31, 2024	16,016,970	\$ 20,195,100	\$ 8,607,109	\$ 114,956	\$ (28,976,696)	\$ (59,531)
Private placements	48,333,332	3,287,543	1,367,128	-	-	4,654,671
Share issuance costs	-	(677,674)	385,936	-	-	(291,738)
Exercise of share purchase warrants	12,315,075	1,254,263	(207,608)	-	-	1,046,655
Shares issued for exploration and evaluation assets	2,950,000	256,567	-	-	-	256,567
Shares issued for services	385,227	41,785	-	-	-	41,785
Share-based payments	-	-	513,229	-	-	513,229
Foreign exchange translation loss	-	-	-	64,882	-	64,882
Net loss	-	-	-	-	(2,092,142)	(2,092,142)
Balance, December 31, 2025	80,000,604	\$ 24,357,584	\$ 10,665,794	\$ 179,838	\$ (31,068,838)	\$ 4,134,378

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

Magma Silver Corp.
(formerly African Energy Metals Inc.)
Consolidated Statements of Cash Flows
(Expressed in United States dollars)

	Year ended December 31, 2025	Year ended December 31, 2024
Operating activities		
Net income (loss)	\$ (2,092,142)	\$ 178,653
Items not affecting cash:		
Loss on settlement of debt	-	10,934
Share-based payments	513,229	-
Shares issued for services	41,785	-
Write-off of accounts payables	(18,925)	(383,592)
Non-cash working capital items:		
GST receivable	(39,785)	1,757
Prepaid expenses	1,650	(91)
Accounts payables and accrued liabilities	(12,164)	(169,928)
Net cash used in operating activities	(1,606,352)	(362,267)
Investing activities		
Exploration and evaluation assets	(220,586)	-
Net cash used in investing activities	(220,586)	-
Financing activities		
Proceeds from issuances of common shares	4,654,671	356,600
Share issuance costs	(291,738)	(2,603)
Warrants exercised for cash	1,046,655	-
Repayment of loans payable	(1,429)	(2,768)
Net cash provided by financing activities	5,408,159	351,229
Effect of foreign exchange rate changes on cash	11,537	37,709
Change in cash	3,592,758	26,671
Cash, beginning of period	27,716	1,045
Cash, ending of period	\$ 3,620,474	\$ 27,716
Non-cash investing and financing activities		
Fair value of finder's shares issued	\$ 385,936	\$ -
Fair value of shares issued for acquisition of exploration and evaluation asset	256,567	-
Transfer of share-based reserves to share capital on exercise of share purchase warrants	207,608	-

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

1. Nature of Operations and Going Concern

On March 27, 2007, Magma Silver Corp. (formerly African Energy Metals Inc.) (“the Company”), was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia.) The Company’s registered office is located at 15th Floor, 1111 West Hastings Street, Vancouver, BC V6E 2J3. On August 25, 2020, the Company changed its name to Central African Gold Inc. On February 7, 2022, the Company changed its name to African Energy Metals Inc. On April 11, 2025, the Company changed its name to Magma Silver Corp. and was trading on the TSX Venture Exchange (“TSX-V”) under the symbol MGMA. The Company also trades on the OTCQB under the symbol MAGMF and on the Frankfurt Stock Exchange under the symbol BC21 and WKN A411DV. The Company’s principal activity is the acquisition and exploration of mineral properties.

Going Concern

These consolidated financial statements have been prepared on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

During the year ended December 31, 2025, the Company had no revenues, had negative cash flows from operating activities, and incurred a net loss of \$2,092,142. As at December 31, 2025, the Company had an accumulated deficit of \$31,068,838.

The Company’s continuing existence and its ability to discharge its liabilities and fulfill its commitments as they come due is dependent upon the ability of the Company to obtain equity and/or debt financing and the successful discovery of mineral resources that the Company can profitably commercialize. Management plans to continue exploring the Company’s mineral concessions in order to achieve a commercial discovery that will generate sustainable, long-term profitability and obtain additional financing, if needed. While the Company has been successful at securing financing in the past, there can be no assurance that it will be able to do so in the future. These material uncertainties cast significant doubt upon the Company’s ability to continue as a going concern. Such adjustments could be material.

2. Material Accounting Policy Information

These consolidated financial statements were authorized for issuance by the directors of the Company on April 27, 2026.

Statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Basis of preparation

These consolidated financial statements of the Company have been prepared on a historical cost basis. These consolidated financial statements are presented in United States dollars unless otherwise specified.

2. Material Accounting Policy Information (continued)

Basis of consolidation

The consolidated financial statements of the Company, include the accounts of its wholly-owned inactive subsidiary, Bankers Cobalt Acquisition Corp., located in Canada and its wholly-owned subsidiary, Minas Sami Plata S.A.C., located in Peru.

All significant intercompany transactions and balances are eliminated on consolidation.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses during this year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Significant areas requiring the use of estimates include:

- i) Fair value of share-based compensation – the Company uses the Black-Scholes option pricing model to value the grant of stock options and issuance of share purchase warrants during the period. The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options or warrants that have no vesting restrictions, and requires management to make estimates that are subjective and may not be representative of actual results.
- ii) Deferred income tax assets – the determination of the composition of deferred income tax assets involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred income tax assets and liabilities, and interpretations of the laws. The Company is subject to assessments by tax authorities who may interpret the law differently. Changes in these interpretations, judgments, and estimates may materially affect the final amount of deferred income tax provisions, deferred income tax assets and liabilities, and results of operations.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- i) Going concern - The Company's assessment of its ability to continue as a going concern requires management to take into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

2. Material Accounting Policy Information (continued)

Significant accounting judgments, estimates and assumptions

- ii) The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of loss in the period when the new information becomes available.

Foreign currency translation

The consolidated financial statements are presented in United States dollars. The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. The Company has a functional currency of Canadian dollars. The Company's subsidiaries have a functional currency of United States dollars and Peruvian sol.

Transactions and balances

Transactions in foreign currencies are initially recorded into the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the consolidated statement of financial position date. Nonmonetary assets and liabilities are translated at historical exchange rates, unless the item is carried at fair value, in which case it will be translated at the exchange rate in effect at the date when the fair value was determined. Resulting foreign exchange gains and losses are recognized in the consolidated statement of loss.

Foreign exchange rates used for currency translation in the consolidated financial statements are:

Period end rates		US to CDN		US to PEN
December 31, 2025	\$	1.3706	\$	3.3625
December 31, 2024	\$	1.4362	\$	N/A
Average rates				
Year ended December 31, 2025	\$	1.3972	\$	3.5638
Year ended December 31, 2024	\$	1.3719	\$	N/A

Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risks of changes in value to be cash equivalents.

2. Material Accounting Policy Information (continued)

Exploration and evaluation assets

Exploration and evaluation expenditures relating to mineral properties include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the acquisition cost of the exploration and evaluation assets acquired.

Pre-exploration costs

Pre-exploration costs are expensed in the year in which they are incurred.

Acquisition costs

The fair value of all consideration paid to acquire an unproven mineral interest is capitalized, including amounts due under option agreements. Consideration may include cash, loans or other financial liabilities, and equity instruments, including common shares and share purchase warrants.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling and mobilization costs, payments made to contractors and depreciation on plant and equipment used during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative costs, are expensed in the year in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation assets in respect of that project are deemed to be impaired. As a result, those exploration and evaluation assets, in excess of estimated recoveries, are written off to the consolidated statement of loss.

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

Option agreements

The Company may acquire or dispose of all, or a portion of, an exploration and evaluation asset under an option agreement. Option agreements typically call for the payment of cash, issuance of common shares, and/or incurrence of exploration and evaluation costs over a period of time, at the discretion of the optionee.

The Company recognizes amounts payable under an option agreement when the amount is due and when the Company has no contractual rights to avoid making the payment. The Company recognizes amounts receivable under an option agreement only when the optionee has irrevocably committed to the transfer of economic resources to the Company, which often occurs only when the amount is received. Amounts received under option agreements reduce the capitalized costs of the optioned unproven mineral interest to nil and are then recognized as income.

2. Material Accounting Policy Information (continued)

Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. The Company records proceeds from the exercise of stock options and warrants as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is recorded at an amount based on fair market value. The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis on a relative fair value basis, wherein, the fair value of the common shares is based on the market close on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black-Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following summarizes the classification under IFRS 9 for each financial instrument:

Financial asset/liability	Classification
Cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost

2. **Material Accounting Policy Information (continued)**

Financial Instruments (continued)

Measurement

Financial assets and liabilities at amortized cost:

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL:

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statement of loss in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the consolidated statement of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flow from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statement of loss.

Impairment of assets

The carrying amount of the Company's non-current assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount, and are recognized in the consolidated statement of loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2. Material Accounting Policy Information (continued)

Impairment of assets (continued)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Earnings (Loss) per share

Basic earnings (loss) per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercise were used to acquire common shares at the average market price during the reporting period. As at December 31, 2025, the Company had 31,269,040 (2024 – 10,000,000) potentially issuable shares from outstanding stock options and warrants.

2. Material Accounting Policy Information (continued)

Restoration and environmental obligations

The Company recognizes liabilities for legal and constructive obligations associated with the retirement of mineral properties. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in the regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

The Company did not have any significant restoration provisions as at December 31, 2025 and 2024.

Recent Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations are not yet effective for the year ended December 31, 2025, and have not yet been early adopted in preparing these consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 – Presentation and Disclosure in Financial Statements which will replace IAS 1, Presentation of Financial Statements. The key new concepts introduced in IFRS 18 relate to the structure of the statement of earnings (loss), required disclosures in the financial statements for certain earnings or loss performance measures that are reported outside an entity's financial statements and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. IFRS 18 will apply for reporting periods beginning on or after January 1, 2027, and also applies to comparative information. The Company is still in the process of assessing the impact of this standard on its consolidated financial statements.

Amendments to the Classification and Measurement of Financial Instruments ("Amendments to IFRS 9 and IFRS 7")

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 which clarify the date of recognition and derecognition of some financial assets and liabilities with a new exception for some financial liabilities settled through an electronic cash transfer system, clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion, add new disclosures for certain instruments with contractual terms that can change cash flows such as instruments with features linked to the achievement of environment, social and governance targets; and update the disclosures for equity instruments designated at FVOCI. Amendments to IFRS 9 and IFRS 7 is effective for periods beginning on or after January 1, 2026, with early adoption permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

3. Exploration and Evaluation Assets

	Ninobamba Property \$
<u>Acquisition costs:</u>	
Balance, December 31, 2023 and 2024	-
Additions	442,977
Balance, December 31, 2025	442,977
<u>Exploration costs:</u>	
Balance, December 31, 2023 and 2024	-
Geological	34,176
Balance, December 31, 2025	34,176
<u>Carrying values:</u>	
December 31, 2024	-
December 31, 2025	477,153

Ninobamba Property

On January 20, 2025, the Company entered into an option agreement with Rio Silver Inc. (“Rio”) to acquire a 100% interest in the Ninobamba Property, comprised of 4,100 hectares in Peru, in exchange for the following:

Date	Cash \$	Common Shares
Agreement Date (paid)	7,000	-
Exchange Approval Date (“Approval Date”) (paid and issued)	107,300	2,500,000
On or before May 15, 2025 (paid)	72,100	-
Earlier of: one year from Approval Date or May 15, 2026	-	2,500,000
On or before May 15, 2026	100,000	-
On or before May 15, 2027	100,000	-
On or before May 15, 2028	100,000	-
On or before May 15, 2029	100,000	-
On or before May 15, 2030	100,000	-
Total	686,400	5,000,000

As at December 31, 2025, the Company made option payments of \$186,410 (CDN\$260,000) and issued 2,500,000 common shares to Rio. As part of the acquisition, the Company issued 450,000 common shares as a finder’s fees for the acquisition. All future payments on or after May 15, 2026 can be paid in cash or issuance of common shares, at the Company’s discretion. In addition to the option payments to Rio, the Company will make additional payments of: (i) \$500,000 within 90 days of completion of 10,000 meters of drilling; (ii) \$500,000 within 90 days of completion of 20,000 meters of drilling; and (iii) \$500,000 within 90 days of receipt of the NI 43-101 report.

The agreement is subject to a 2% NSR, of which the Company can purchase 50% of the NSR from Rio for \$1,000,000.

4. Accounts Payables and Accrued Liabilities

The Company's trade payables and accrued liabilities are as follows:

	December 31, 2025	December 31, 2024
Trade payable	\$ 45,123	\$ 54,334
Accrued and other liabilities	14,592	36,470
Total	\$ 59,715	\$ 90,804

5. Share Capital and Reserves

Authorized share capital

An unlimited number of common shares without par value.

Effective October 22, 2024, the Company consolidated all its issued and outstanding common shares on the basis of 1 new share for every 4 old shares. All references herein to the number of shares, options, warrants, weighted average number of common shares and loss per share have been retrospectively restated for the share consolidation, including all such numbers presented for the prior periods.

Issued share capital

Shares transactions during the years ended December 31, 2025 and 2024

During the year ended December 31, 2025, the Company issued 12,315,075 common shares pursuant to the exercise of share purchase warrants for proceeds of \$1,046,655 (CDN\$1,463,015). As part of the issuance, \$207,608 (CDN\$292,573) was allocated from share-based reserves to share capital.

On September 4, 2025, the Company issued 385,227 common shares with a fair value of \$41,785 (CDN\$57,784) for consulting services.

On April 15, 2025, the Company issued 2,500,000 common shares with a fair value of \$224,281 (CDN\$312,500) as an option payment for the Ninobamba Property. As part of the agreement, the Company also issued 450,000 finder's shares with a fair value of \$32,286 (CDN\$45,000).

On December 6, 2024, the Company settled \$42,556 (CDN\$60,000) worth of debt with the issuance of 1,000,000 common shares with a fair value of \$53,490 (CDN\$75,000), which resulted in a loss on settlement of \$10,934. Included in the settlement was the issuance of 400,000 common shares with fair value of \$21,396 (CDN\$30,000) to settle \$17,116 (CDN\$24,000) debt owed to a company controlled by the Chief Executive Officer of the Company.

5. Share Capital and Reserves (continued)

Private Placements

On October 23, 2025, the Company completed a non-brokered private placement of 33,333,332 units at CDN\$0.15 per unit for proceeds of \$3,573,215 (CDN\$5,000,000). Each unit consisted of one common share and one-half of one common share purchase warrant, where each one whole warrant entitles the holder to purchase an additional common share at an exercise price of CDN\$0.25 per share until October 23, 2028. The Company recorded \$1,072,532 of the private placement to share-based reserves for the fair value of the share purchase warrants, which was calculated using the Black-Scholes option pricing model assuming expected life of 3 years, volatility of 167%, and risk-free rate of 2.47%. In connection with the financing, the Company paid \$210,793 (CDN\$294,962) in finder's fees and issued 1,962,806 finder's warrants, exercisable at CDN\$0.25 per share expiring on October 23, 2028.

On May 27, 2025, the Company completed the second and final tranche of its non-brokered private placement of 5,978,500 units at CDN\$0.10 per unit for proceeds of \$434,011 (CDN\$597,850), of which 28,500 units were issued to the Chief Financial Officer of the Company for proceeds of \$2,069 (CDN\$2,850). Each unit consisted of one common share and one-half of one common share purchase warrant, where each one whole warrant entitles the holder to purchase an additional common share at an exercise price of CDN\$0.20 per share until May 27, 2027. The Company recorded \$120,706 of the private placement to share-based reserves for the fair value of the share purchase warrants, which was calculated using the Black-Scholes option pricing model assuming expected life of 2 years, volatility of 174%, and risk-free rate of 2.63%. In connection with the financing, the Company paid \$42,575 (CDN\$58,467) in finder's fees and issued 220,000 finder's warrants, exercisable at CDN\$0.20 per share expiring on May 27, 2027.

On April 15, 2025, the Company completed the first tranche of a non-brokered private placement of 9,021,500 units at CDN\$0.10 per unit for proceeds of \$647,445 (CDN\$902,150), of which 1,200,000 units were issued to a director of the Company for proceeds of \$86,120 (CDN\$120,000). Each unit consisted of one common share and one-half of one common share purchase warrant, where each one whole warrant entitles the holder to purchase an additional common share at an exercise price of CDN\$0.20 per share until April 15, 2027. The Company recorded \$173,890 of the private placement to share-based reserves for the fair value of the share purchase warrants, which was calculated using the Black-Scholes option pricing model assuming expected life of 2 years, volatility of 174%, and risk-free rate of 2.52%. In connection with the financing, the Company paid \$38,370 (CDN\$53,465) in finder's fees and issued 534,650 finder's warrants, exercisable at CDN\$0.20 per share expiring on April 15, 2027.

On December 6, 2024, the Company completed a non-brokered private placement of 10,000,000 units at CDN\$0.05 per unit for proceeds of \$356,600 (CDN\$500,000). Each unit consisted of one common share of the Company and one share purchase warrant, where each warrant entitles the holder to purchase an additional common share at an exercise price of CDN\$0.10 per share until December 6, 2025. Included in the offering was the issuance of 2,400,000 units to various officers and directors of the company for proceeds of \$85,584 (CND\$120,000).

5. Share Capital and Reserves (continued)

Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of warrants		Weighted average exercise price
Outstanding, December 31, 2023	437,500	\$	CDN\$1.96
Issued	10,000,000		0.10
Expired	(437,500)		1.96
Outstanding, December 31, 2024	10,000,000		0.10
Issued	26,884,115		0.23
Exercised	(12,315,075)		0.12
Outstanding, December 31, 2025	24,569,040	\$	CDN\$0.24

Share purchase warrants outstanding and exercisable as at December 31, 2025 are as follows:

Number of warrants outstanding	Exercise price	Expiry date
3,217,825	CDN\$0.20	April 15, 2027
2,721,750	CDN\$0.20	May 27, 2027
18,629,465	CDN\$0.25	October 23, 2028
<u>24,569,040</u>		

Stock Options

The Company adopted a stock option plan whereby the Board of Directors may grant employees, consultants, directors and officers share purchase options. The aggregate number of options reserved for issuance may not exceed 10% of the Company's issued and outstanding shares at the date of the grant. In any twelve-month period, the Company will not grant more than 2% of the issued and outstanding shares of the Company to any one consultant or any one individual performing investor relations activities. The options vest in stages over twelve months, with no more than one-quarter of the options vesting over any three-month period.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2023 and 2024	-	CDN\$ -
Granted	6,700,000	0.21
Outstanding, December 31, 2025	6,700,000	CDN\$0.21
Exercisable, December 31, 2025	525,000	CDN\$0.16

5. Share Capital and Reserves (continued)

Stock Options (continued)

Additional information regarding stock options outstanding and exercisable as at December 31, 2025 is as follows:

Range of exercise prices CDN\$	Number of stock options	Outstanding		Exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price CDN\$	Number of stock options	Weighted average exercise price CDN\$
0.16	1,800,000	1.21	0.04	525,000	0.16
0.20	1,850,000	1.38	0.06	-	-
0.25	3,000,000	2.24	0.10	-	-
0.27	50,000	0.04	0.01	-	-
	6,700,000	4.87	0.21	525,000	0.16

During the year ended December 31, 2025, the Company recorded share-based compensation expense from stock options of \$513,229 (2024 - \$nil) of which \$296,998 (2024 - \$nil) pertains to certain directors and officers of the Company. Share-based compensation expense related to the stock options was determined using the Black-Scholes option pricing model. Weighted average assumptions in calculating the fair value of the share-based compensation expense, including no expected dividends or forfeitures, are as follows:

	2025	2024
Risk-free interest rate	2.72%	-
Expected volatility	155%	-
Expected life (years)	4.9	-

As at December 31, 2025, the weighted average fair value of stock options granted was CDN\$0.24 (2024 - \$nil) per option.

6. Related Party Transactions

Related party transactions to key management personnel for the years ended December 31, 2025, and 2024 are as follows:

	December 31, 2025	December 31, 2024
Management and consulting fees	\$ 176,066	\$ 58,312
Share-based compensation	296,998	-
Total	\$ 473,064	\$ 58,312

7. Financial Risk and Capital Management

The Company is exposed in varying degrees to a variety of financial instrument-related risks. Management approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The cash is deposited in a bank account in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a bank that is a high credit quality financial institution as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from financing and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements or through proceeds from loans. The Company's access to financing is uncertain. There can be no assurance of continued access to necessary levels of equity funding (Note 1). Management may require seeking additional sources of financing in the form of equity or debt financing in the future. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

Foreign exchange risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. The Company does not hedge its exposure to fluctuations in exchange rates.

A significant change in the currency exchange rate between the Canadian dollar relative to the U.S. dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not entered into foreign currency contracts to hedge its risk against foreign currency fluctuations.

A 10% change in the Canadian dollar to the U.S. dollar exchange rate would not result in a material impact on the Company's consolidated financial statements.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

7. Financial Risk and Capital Management (continued)

Capital Management

The Company's policy is, if permitted by market conditions, to maintain a strong capital base so as to support investor and creditor confidence and support future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves net of accumulated deficit. The Company is not subject to any externally imposed capital requirements.

Fair value

The fair values of financial instruments, which includes cash, and accounts payables and accrued liabilities approximate their carrying values due to their short-term maturity.

IFRS establishes a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 – Quoted prices in active markets for the same instrument.

Level 2 – Valuation techniques for which significant inputs are based on observable market data.

Level 3 – Valuation techniques for which any significant input is not based on observable market data.

8. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rates) of the significant temporary differences, which comprise of deferred income tax assets and liabilities, are as follows:

	2025	2024
	\$	\$
Canadian statutory tax rate	27%	27%
Income tax provision (recovery) at statutory rate	(564,878)	48,236
Tax effect of:		
Permanent differences and other	74,263	2,250
True up of prior year differences	-	193,206
Change in unrecognized deferred income tax assets	490,615	(243,692)
Income tax provision	-	-

The significant components of differed income tax assets and liabilities are as follows:

	2025	2024
	\$	\$
Deferred income tax assets:		
Non-capital losses carried forward	2,631,778	2,202,921
Share issuance costs	63,543	1,785
Exploration and evaluation assets	283,632	283,632
Total gross deferred income tax assets	2,978,953	2,488,338
Unrecognized deferred income tax assets	(2,978,953)	(2,488,338)
Net deferred income tax assets	-	-

8. Income Taxes (continued)

As at December 31, 2025, the Company has Canadian non-capital losses carried forward of \$9,747,325 which are available to offset future years' taxable income. These losses expire as follows:

	\$
2031	180,076
2032	123,201
2033	409,366
2034	210,338
2035	410,018
2036	381,105
2037	825,749
2038	1,464,966
2039	498,642
2040	1,102,391
2041	1,495,312
2042	706,836
2043	741,474
2045	1,197,851
	9,747,325

In addition to the above noted loss carry-forwards, the Company has available approximately \$1,527,643 in Canadian exploration and developmental expenditures which may be deducted from taxable income in future year without expiry.

9. Subsequent Events

On January 23, 2026, the Company granted 150,000 stock options to a consultant, which is exercisable at \$0.33 per share until January 23, 2028 and vests in four equal tranches every three months commencing from the grant date.

On March 3, 2026, the Company issued 100,892 common shares for consulting services to a non-related party.

On March 16, 2026, the Company made an additional option payment of \$100,000 (CDN\$136,710) to Rio on the Ninobamba Property.

On April 10, 2026, the Company issued 2,500,000 common shares as part of the option payment to Rio on the Ninobamba Property.

Subsequent to December 31, 2025, the Company issued 874,000 common shares for proceeds of \$128,000 (CDN\$177,300) pursuant to the exercise of share purchase warrants.