Lithium South

DEVELOPMENT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31 2024

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Lithium South Development Corp.

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that for the year ended December 31, 2024, the Company incurred a net loss of $5,286,414, and had an accumulated deficit of $76,782,086. 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.

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 $12,085,974 as of December 31, 2024. 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 consideration for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter is that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the asset's 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 Assets.

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

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity.
- Obtaining confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

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 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.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 30, 2025

LITHIUM SOUTH DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)

		December 31, 2024		December 31, 2023
ASSETS				
Current				
Cash and cash equivalents	$	616,522	$	1,490,459
Receivables		31,041		59,360
Prepaid expenses		93,373		309,234
		740,936		1,859,053
Equipment (Note 4)		116,537		150,963
Exploration and evaluation assets (Note 4)		12,085,974		12,085,974
Total assets	$	12,943,447	$	14,095,990
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 5)	$	1,021,799	$	602,106
Shareholders' equity				
Share capital (Note 5)		71,220,010		67,741,056
Reserves (Notes 6 and 7)		17,483,724		17,248,500
Deficit		(76,782,086)		(71,495,672)
Total shareholders' equity		11,921,648		13,493,884
Total liabilities and shareholders' equity	$	12,943,447	$	14,095,990

Nature and continuance of operations (Note 1)
Commitments (Note 11)
Subsequent events (Notes 7 and 8)

On behalf of the Board:

"Adrian F. C. Hobkirk" Director *"Christopher P. Cherry"* Director

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

LITHIUM SOUTH DEVELOPMENT CORPORATION
(An exploration stage company)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31,

		2024		2023
EXPENSES				
Administration	$	251,024	$	634,833
Directors' fees (Note 10)		82,518		99,018
Exploration costs (Note 4)		3,490,976		6,569,477
Management fees (Note 10)		506,334		498,849
Marketing		727,917		1,480,974
Professional fees (Note 10)		465,591		444,828
Share-based payments (Note 7 and 10)		-		863,508
Transfer agent and filing fees		100,672		107,968
Travel		79,325		86,200
		(5,704,357)		(10,785,655)
OTHER ITEM				
Foreign exchange gain		417,943		2,323,051
Loss and comprehensive loss for the year	$	(5,286,414)	$	(8,462,604)
Basic and diluted loss per common share	$	(0.05)	$	(0.09)
Weighted average number of common shares outstanding – basic and diluted		104,444,807		96,830,787

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

LITHIUM SOUTH DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollar)

	Share Capital				Total
	Common Shares	Amount	Deficit	Reserves	Shareholders' Equity
Balance, December 31, 2022	96,500,147	$67,535,307	$(63,033,068)	$16,384,992	$20,887,231
Comprehensive loss for the year	-	-	(8,462,604)	-	(8,462,604)
Escrow shares cancelled	(3,750)	-	-	-	-
Shares issued on exercise of warrants	473,145	205,749	-	-	205,749
Share-based payments	-	-	-	863,508	863,508
Balance, December 31, 2023	96,969,542	$67,741,056	$(71,495,672)	$17,248,500	$13,493,884
Comprehensive loss for the year	-	-	(5,286,414)	-	(5,286,414)
Shares issued on private placement, net	13,325,830	3,465,304	-	235,224	3,700,528
Shares issued on exercise of warrants	30,000	13,650	-	-	13,650
Balance, December 31, 2024	110,325,372	$71,220,010	$(76,782,086)	$17,483,724	$11,921,648

LITHIUM SOUTH DEVELOPMENT CORPORATION
(An exploration stage company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,
(Expressed in Canadian Dollars)

	2024	2023
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	$ (5,286,414)	$ (8,462,604)
Items not affecting cash:		
Share-based payments	-	863,508
Amortization included in exploration expenditures	34,426	37,742
Changes in non-cash working capital items:		
Receivables	28,319	95,557
Prepaid expenses	215,861	(164,722)
Accounts payable and accrued liabilities	419,693	256,027
Net cash used in operating activities	(4,588,115)	(7,374,492)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Redemption of short term investments	-	5,101,010
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Net cash used in investing activities	-	5,101,010
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of share capital on exercise of warrants	13,650	-
Proceeds on issuance of share capital, net	3,700,528	205,749
Net cash provided by financing activities	3,714,178	205,749
Change in cash and cash equivalents during the period	(873,937)	(2,067,733)
Cash and cash equivalents, beginning of period	1,490,459	3,558,192
Cash and cash equivalents, end of period	$ 616,522	$ 1,490,459

Supplement disclosure with respect to cash flows (Note 15)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Lithium South Development Corporation (the "Company") was incorporated in the Province of Ontario on June 20, 1995. Effective January 15, 2007, the Company was granted a Certificate of Continuation under the *Business Corporation Act* from the jurisdiction of Ontario into British Columbia. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties in Argentina. The Company's head office, principal address and registered records office is located at Suite 400 – 1681 Chestnut Street, Vancouver, British Columbia, Canada.

The Company's consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

For the year ended December 31, 2024 the Company incurred a net loss of $5,286,414 (December 31, 2023 - $8,462,604) and had an accumulated deficit of $76,782,086 (December 31, 2023 - $71,495,672). Management is planning to raise additional capital to finance operations to continue to explore its mineral properties. The successful completion of such financing cannot be guaranteed. 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. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments would be material.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of its mineral properties and upon future profitable production.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). They have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These consolidated financial statements are presented in Canadian dollars unless otherwise noted.

2. BASIS OF PREPARATION (cont'd)

Approval of the financial statements

The consolidated financial statements of the Company for the year ended December 31, 2024 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 30, 2025.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: 1140177 BC Ltd., and NRG Metals S.A Argentina, from the date control was acquired. Control exists when the Company possesses power over an investee, has exposures to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All intercompany balances and transactions have been eliminated.

Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on their acquisition cost. At every reporting period, management assesses the potential impairment which involves assessing whether indicators exist that suggest the carrying amount exceeds the recoverable amount.

ii) Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

iii) The Company has evaluated the economic environment its entities operate in and determined that the functional currency of the Company, including its Argentinean subsidiary, is the Canadian dollar. A change in this judgement would have significant impact on these consolidated financial statements.

3. MATERIAL ACCOUNTING POLICIES

Equipment

Equipment is stated at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

The Company's equipment consists of exploration equipment subject to 20% declining balance basis.

The Company allocates the amount initially recognized in respect of an item of equipment to its significant parts and amortizes separately each such part. Residual values, method of amortization and useful lives are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into a known amount of cash, are subject to insignificant risk of changes in value, and have an initial term to maturity on acquisition of three months or less, net of bank overdrafts which are repayable on demand.

Financial instruments

Financial assets

The Company classified its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI"), or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) 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.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in profit or loss in the year.

Financial assets at FVTOCI: Financial assets carried at FVTOCI are recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in fair value of the financial assets held at FVTOCI are included in other comprehensive (loss) income in the year.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in they arise.

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

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.

The following table shows the classification of the Company's financial assets:

Financial asset	Classification
Cash and cash equivalents	FVTPL
Receivables	Amortized cost

<u>Financial liabilities</u>

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Other financial liabilities - This category includes accounts payable and accrued liabilities and due to related parties, all of which are recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the statement of operations and comprehensive losses immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

The following table shows the classification of the Company's financial liabilities:

Financial liability	Classification
Accounts payable and accrued liabilities	Amortized cost

3. MATERIAL ACCOUNTING POLICIES (continued)

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21, *The Effects of Changes in Foreign Exchange Rates*.

Foreign currency transactions and balances are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect at the statement of financial position date;
(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
(iii) Revenue and expense items (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange prevailing at the transaction date.

Gains and losses arising from translation of foreign currency are included in the determination of net loss.

Exploration and evaluation assets

All costs related to the acquisition of exploration and evaluation assets are capitalized on a property by property basis, net of recoveries. Exploration costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are expensed to operations as incurred. If economically recoverable ore reserves are developed, capitalized costs of the related property are classified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations.

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time, the Company may acquire or dispose of an exploration and evaluation asset pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale of an option of the Company's property are recorded as a reduction of the mineral property cost. The Company recognizes in income amounts received in excess of the carrying amount.

Although the Company has taken steps to verify the title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Evaluation and exploration assets are assessed for impairment by management when indicators suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation or alternatively the sale of the respective areas of interest.

3. MATERIAL ACCOUNTING POLICIES (continued)

Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses. Changes in the measurement of a liability, which arises during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

Impairment of long-lived assets

The Company's long-lived assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

3. MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments

The Company grants options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in reserves is transferred to share capital.

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(Expressed in Canadian Dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

Future accounting changes:

Effective for annual periods beginning on or after January 1, 2027, the Company is required to adopt IFRS 18, Presentation and Disclosure in Financial Statements, with early adoption permitted. IFRS 18 will replace IAS 1; many of the existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its operating profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7, Statement of Cash Flows. The Company is assessing the potential impact of the application of the standards.

4. EXPLORATION AND EVALUATION ASSETS AND EQUIPMENT

Realization of assets

The investment in mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values.

Hombre Muerto North ("HMN")
This wholly-owned project was acquired through exercise of a purchase option during the year ended December 31, 2022. The property is located in Salta, Argentina and is subject to a 3% Net Production Royalty.

At December 31, 2024, the Company had capitalized a total of $12,085,974 (December 31, 2023 - $12,085,974) related to the HMN acquisition.

The Company incurred exploration costs as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
Consultants, geologists and camp employees	$ 1,375,840	$ 1,951,046
Drilling, drilling prep, stagging and road costs	825,431	2,731,545
Amortization of equipment	34,426	37,742
Field supplies, camp costs, cannon payments and other	1,255,279	1,849,144
Total	$ 3,490,976	$ 6,569,477

Exploration Equipment
At December 31, 2024, the Company had exploration equipment totalling $235,881 (2023-$235,881) and recorded amortization totalling $34,426 (2023- $37,742) to exploration expenditures. Resulting in an ending balance of equipment of $116,537 (2023 - $150,963).

(Expressed in Canadian Dollars)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2024		December 31, 2023
Account payables	$	603,503	$	224,636
Accrued liabilities (Note 10)		418,296		377,470
	$	1,021,799	$	602,106

6. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Year ended December 31, 2024:

On June 14, 2024, the Company closed a private placement and issued 13,175,826 units at $0.30 per unit for gross proceeds of $3,952,748. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one additional common share at $0.40 for five years from the date of closing of the private placement. The Company paid finders fees of $252,220 in cash, issued 150,000 units with a fair value of $45,000 and issued 990,733 warrants on the same terms as the units valued at $253,224 using the BlackScholes option pricing model with risk free interest rate of 2.54%, expected life of 5 years, annualized volatility of 101%.

During the year ended December 31, 2024, the Company issued 30,000 common shares on the exercise of warrants for proceeds of $13,650.

Year ended December 31, 2023:
During year ended December 31, 2023, the Company issued 473,145 common shares on the exercise of warrants for proceeds of $205,749.

The Company cancelled 3,750 escrow shares.

7. STOCK OPTIONS

The Company has a rolling stock option plan (the "plan") that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant, subject to a minimum exercise price of $0.10 per share. Options granted under the Plan will have a term not to exceed five years and be subject to vesting provisions as determined by the board of directors of the Company.

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Outstanding and exercisable, December 31, 2022	8,945,000	$	0.65
Granted	3,950,000		0.43
Cancelled	(3,205,000)		0.72
Outstanding and exercisable, December 31, 2023	9,690,000	$	0.61
Cancelled	(1,525,000)		0.59
Outstanding and exercisable, December 31, 2024	8,165,000	$	0.50

(Expressed in Canadian Dollars)

7. STOCK OPTIONS (continued)

During the year ended December 31, 2023, the Company granted 3,950,000 stock options to consultants with an average exercise price of $0.43 for a period of 3-5 years. The fair value of the stock options granted during the period is $1,542,358 based on the Black-Scholes option pricing model. The weighted average of the fair value per option was $0.39.

The Company used the following weighted-average assumptions for the Black-Scholes option pricing model:

	2024	2023
Risk-free interest rate	-	3.43%
Expected life of options	-	4.3 years
Annualized volatility	-	104%
Share price	-	$ 0.43
Dividend rate	-	0.00%
Forfeiture rate	-	0.00%

As at December 31, 2024, the following options were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Options
February 10, 2025	$0.20	520,000*
April 9, 2025	0.305	450,000*
February 4, 2026	0.70	1,020,000
March 24, 2026	0.80	1,000,000
October 26, 2026	0.68	200,000
January 28, 2027	0.75	750,000
September 6, 2027	0.25	900,000
September 27, 2027	0.49	125,000
August 4, 2028	0.25	1,000,000
August 10, 2028	0.465	750,000
November 21, 2028	0.325	1,450,000
		8,165,000

***** subsequent to December 31, 2024, these options expired unexercised

(Expressed in Canadian Dollars)

8. WARRANTS

The following table summarizes the Company's warrant activity:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2022	58,799,582	$ 0.56
Exercised	(473,145)	0.44
Outstanding, December 31, 2023	58,326,437	$ 0.56
Issued	14,166,559	0.40
Exercised	(30,000)	0.46
Expired	(29,083,303)	0.68
Outstanding, December 31, 2024	43,379,693	$ 0.44

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

Expiry Date	Exercise Price	Number of Warrants
April 2, 2025	$0.35	5,790,000*
April 21, 2025	0.35	4,155,238*
June 28, 2025	0.35	1,594,481
January 18, 2026	0.35	4,540,907
January 19, 2026	0.455	2,904,000
February 12, 2026	0.455	4,483,174
February 25, 2026	0.80	5,745,334
June 30, 2029	0.40	14,166,559
		43,379,693

* subsequent to December 31, 2024, these options expired unexercised

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities. Cash and cash equivalents has been designated as fair value through profit and loss, and receivables at amortized cost, and accounts payable and accrued liabilities are designated as other financial liabilities. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments, except for cash and cash equivalents which is valued at a level 1 fair value measurement. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and other price risk. There has been no change in the way management managed these risks for the period.

a) Currency risk

While the Company's parent is Canadian and its capital is raised in Canadian dollars, the Company was conducting business in Argentina, whose currency is the Peso. As such, it was subject to risk due to fluctuations in the exchange rates for the United States and Canadian dollars as well as the Argentina Peso. The Company does not manage currency risk through hedging or other currency management tools.

As at December 31, 2024, the Company has cash and cash equivalents denominated in US dollars and Argentinian Pesos. A 10% fluctuation in either exchange rate against the Canadian dollar would not have a significant impact on comprehensive loss.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk consists of the balance of cash and cash equivalents, and receivables at December 31, 2024. The cash is held in a large Canadian financial institution. There is no risk associated with receivables as this is Goods and Services Tax ("GST") due from the Canadian Government.

c) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Due to the short-term nature of the Company's financial instruments fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2024. Future cash flows from interest income on cash will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity.

(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

d) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity issuances. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

e) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

10. RELATED PARTY TRANSACTIONS

a) Key management includes those individuals having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the Company's Directors, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel during the years ended December 31:

		2024		2023
Consulting, management, exploration and professional fees charged by officers and directors and corporations under their control	$	1,067,925	$	1,056,795
Directors' fees	$	82,518	$	99,018
Share-based payments	$	-	$	357,205

Key management personnel were not paid any post-employment benefits, termination benefits, or other long-term benefits during the respective periods.

At December 31, 2024, the Company had a total amount due to related parties of $418,296 (December 31, 2023 - $377,470) classified within accounts payable and accrued liabilities. Amounts due to related parties are unsecured, due on demand, and bear no interest.

(Expressed in Canadian Dollars)

11. COMMITMENTS

The Company has management and consulting contracts with Adrian Hobkirk, a director and CEO of the Company, a company controlled by Christopher Cherry, a director and CFO of the Company, Fernando Villarroell, a director and COO of the Company and director agreements with Gordon Neal, Alison Dai and Yia Hua Dai. The Company pays or accrues the CEO USD$22,000 per month, the CFO $18,750 and the COO US$12,500 per month. The director agreements range from CAD$2,500 to GPB2,500 per month. These contracts remain in force on a continuous basis and can be terminated by the Company with notice. If termination of services is without cause and due to a change of control, the Company will be obligated to pay up to 12 months of service fees to all parties.

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2024		2023
Loss before income taxes	$	(5,286,414)	$	(8,462,604)
Statutory income tax rate		27%		27%
Expected income tax recovery	$	(1,437,000)	$	(2,285,000)
Permanent difference		1,515,000		378,000
Adjustments to prior years provision versus statutory tax		-		34,000
Unrecognized benefit of deferred tax assets		(78,000)		1,873,000
Total income tax expense	$	-	$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2024	**Expiry Date Range**	**2023**	**Expiry Date Range**
Temporary Differences				
Exploration and evaluation assets	$ 3,911,000	No expiry date	$ 3,911,000	No expiry date
Property and equipment	57,000	No expiry date	47,000	No expiry date
Share issue costs	290,000	2042 to 2045	566,000	2042 to 2045
Allowable capital losses	705,000	No expiry date	705,000	No expiry date
Non-capital losses available for future periods	44,443,000	through 2043	44,326,000	through 2043

Non-capital losses by country consist of $30,708,000 in Canada and $13,735,000 in Argentina.

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

13. CAPITAL MANAGEMENT

The Company is an exploration stage company and this involves a high degree of risk. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal as the Company does not generate cash flow from current operations. Accordingly, the Company is not subject to any externally imposed capital requirements.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions. The Company believes that it will be able to raise sufficient funds from share issuances to fund its working capital for the coming year. There have been no changes to the Company's approach to capital management during the period.

14. SEGMENTED INFORMATION

The Company operates as a single segment, being the exploration and evaluation assets in Argentina; which is where all long-lived assets are located.

15. SUPPLEMENT DISCLOSURES WITH RESPECT TO CASH FLOWS

The Company did not pay any cash for interest or income tax for the year ended December 31, 2024 and 2023.

During the year ended December 31, 2024, the Company issued Agent Warrants valued 990,733 Agent Warrants valued at $235,224 and 150,000 finders units valued at $45,000.

During the year ended December 31, 2023, the Company had no non-cash transactions.