

Consolidated Financial Statements

TIERNAN GOLD CORP.

As at December 31, 2025 and 2024 and for the years ended December 31, 2025, and 2024



Tel: (604) 688-5421
Fax: (604) 688-5132
www.bdo.ca

BDO Canada LLP
Royal Centre, 1055 West Georgia Street
1100, P.O. Box 11101
Vancouver, British Columbia
V6E 3P3

Independent Auditor's Report

To the Shareholders of Tiernan Gold Corp.

Opinion

We have audited the consolidated financial statements of Tiernan Gold Corp. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2025 and 2024, 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 consolidated financial position of the Group as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2025 and 2024 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

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 Group 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.

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 period. 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. We have determined the matter described below to be the key audit matter to be communicated in our report.

Reversal of Impairment - Mineral Property

Description of the key audit matter

As described in Note 7 to the consolidated financial statements, during the year ended December 31, 2025, the Company reversed previously recognized impairment losses relating to its mineral property in accordance with IAS 36, *Impairment of Assets*. The mineral property represents a significant portion of the Company's total assets.

Management exercised significant judgement in identifying indicators of impairment reversal, primarily based on the Company's successful equity financing completed during the year at a share price implying a market capitalization in excess of the Company's net asset carrying value. Management considered this observable market evidence, together with other entity-specific factors, in estimating the recoverable amount of the mineral property using a fair value less costs of disposal (FVLCD) approach, including, in assessing whether the quoted market capitalization provided appropriate evidence of



FVLCD for purposes of estimating recoverable amount under IAS 36, and in considering the relevance of market participant assumptions and the allocation of entity-level market capitalization to the mineral property. Given the materiality of the mineral property and the degree of judgment involved in determining the existence of indicators of reversal and estimating recoverable amount, we determined this to be a key audit matter.

How the key audit matter was addressed in the audit.

Our audit procedures related to the reversal of the impairment of the mineral property included, among others:

- Evaluated management's assessment of indicators of impairment reversal in accordance with IAS 36.
- Assessed management's methodology for comparing market capitalization to the carrying value of net assets, including consideration of whether adjustments were required to reflect asset-specific recoverable amount and independently calculating the market capitalization.
- Assessed the equity financing terms and the share price against contemporaneous market activity, independently calculated the implied market capitalization, and evaluated it as evidence of fair value less costs of disposal.
- Evaluated whether the amount of the impairment reversal was appropriately limited in accordance with IAS 36.117.
- Assessed the related disclosures in the consolidated financial statements in accordance with IAS 36 and IFRS 13.

Other Information

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 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 Mark Zastre.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia

March 31, 2026

Tiernan Gold Corp.
Consolidated statements of financial position
(Expressed in thousands of US dollars)
As at December 31,

	Notes	2025	2024
Assets			
Current assets			
Cash and cash equivalents		\$ 39,673	\$ 11,890
Receivables and prepaid expenses		<u>40</u>	<u>52</u>
		39,713	11,942
Non-current assets			
Mineral property	7	<u>81,100</u>	<u>35,420</u>
Total assets		<u>\$ 120,813</u>	<u>\$ 47,362</u>
Current liabilities			
Accounts payable	8	\$ 3,188	\$ 979
Income tax payable		12	11
Derivative financial instruments	6	<u>11,533</u>	<u>-</u>
Total liabilities		<u>14,733</u>	<u>990</u>
Shareholder's Equity			
Share capital	10	90,040	56,839
Other reserves		(14,458)	(20,776)
Retained earnings		<u>30,498</u>	<u>10,309</u>
Total equity		<u>106,080</u>	<u>46,372</u>
Total equity and liabilities		<u>\$ 120,813</u>	<u>\$ 47,362</u>

These consolidated financial statements were approved on March 31, 2026 and signed on its behalf by:



Greg McCunn
Director



Adam Shatzker
Director

March 31, 2026

See accompanying notes to the consolidated financial statements.

Tiernan Gold Corp.

Consolidated statements of income (loss) and comprehensive income (loss)

(Expressed in thousands of US dollars)

For the year ended December 31,

	Notes	2025	2024
Total administrative expenses		\$ (1,739)	\$ (276)
Loss before other (expenses)/ income and income tax		(1,739)	(276)
Other (expenses) income			
Interests on deposits		441	493
Finance costs	5	(7,687)	(36)
Listing expenses	6	(9,052)	-
Foreign exchange loss		65	(2)
Reversal of impairment of non-current assets	7	38,173	-
Income before income tax		20,201	179
Income tax expense	9	(12)	(11)
Net income for the year		20,189	168
Basic and diluted earnings per common share (expressed in U.S. dollars per share)		0.54	0.00
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations, net of tax		5,640	(6,880)
Total comprehensive income/(loss) for the year		\$ 25,829	\$ (6,712)

See accompanying notes to the consolidated financial statements.

Tiernan Gold Corp.
Consolidated statement of changes in equity
(Expressed in thousands of US dollars and shares in thousands)

	Notes	Number	Equity share capital	Cumulative translation adjustment	Other reserves	Retained earnings	Total shareholder's equity
Total as at January 1, 2024		37,000	\$ 56,839	\$ (13,896)	\$ –	\$ 10,141	\$ 53,084
Total comprehensive income (loss) for the year		–	–	(6,880)	–	168	(6,712)
Total as at December 31, 2024	10	37,000	56,839	(20,776)	–	10,309	46,372
Reverse takeover transaction	6	2,753	8,971	–	678	–	9,649
Treasury offering	6	8,000	24,230	–	–	–	24,230
Total comprehensive income for the year		–	–	5,640	–	20,189	25,829
Total as at December 31, 2025	10	<u>47,753</u>	<u>\$ 90,040</u>	<u>\$ (15,136)</u>	<u>\$ 678</u>	<u>\$ 30,498</u>	<u>\$ 106,080</u>

See accompanying notes to the consolidated financial statements.

Tiernan Gold Corp.
Consolidated statements of cash flows
(Expressed in thousands of US dollars)

	Notes	Year ended December 31, 2025	Year ended December 31, 2024
Cash flows from operating activities			
Net income / (loss) for the period		\$ 20,189	\$ 168
Items not involving cash:			
Reversal of impairment of non-current assets	7	(38,173)	–
Listing expense	6	9,052	–
Change in fair value of financial liability	5	7,247	–
Transaction costs related to the issuance of warrants	6	418	–
Income tax expense		12	11
Non-cash operating working capital items			
Receivable and prepaid expenses		31	44
Accounts payable and others		2,157	(2,303)
Income tax paid		(11)	–
Net cash (used in)/generated from operating activities		<u>922</u>	<u>(2,080)</u>
Cash flows used in investing activities			
Evaluation and exploration expenses		(1,823)	(1,073)
Reverse Takeover Transaction- Cash and cash equivalents	6	585	–
Royalty financing agreement	7	–	15,000
		<u>(1,238)</u>	<u>13,927</u>
Cash flows from financing activities			
Proceeds from issue of common shares, net of transaction costs	6 and 10	24,230	–
Warrants, net of transaction costs	6	3,854	–
		<u>28,084</u>	<u>–</u>
Net increase in cash and cash equivalents during the period		27,768	11,847
Foreign exchange		15	–
Cash and cash equivalents at beginning of period		11,890	43
Cash and cash equivalents at end of period		<u>\$ 39,673</u>	<u>\$ 11,890</u>

See accompanying notes to the consolidated financial statements.

As at December 31, 2025 and 2024 and for the years ended December 31, 2025, and 2024

1. Nature of operations and going concern

Tiernan Gold Corp. (hereinafter 'the Company') is a corporation formed under the laws of the Province of British Columbia on March 22, 2022. The Company is a controlled subsidiary of Hochschild Mining Holdings Ltd. ("HM Holdings") which holds 69.8% of the Company's shares. HM Holdings is a wholly owned subsidiary of Hochschild Mining PLC, a publicly listed company trading on the London Stock Exchange. On December 16, 2025, the Company completed a reverse takeover transaction (refer to Note 6), following which its shares were listed on the TSX Venture Exchange. The Company's registered office is located at Suite 1700, Park Place, 666 Burrard Street, Vancouver BC, V6C 2X8.

The Company is focused on advancing its 100%-owned Volcan gold project. The project is located in the Atacama Region of Chile, on the Maricunga gold belt (refer to Note 7).

These financial statements were approved for issue on XX, 2026.

These consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realization of assets and settlement of liabilities in the normal course of business. As at December 31, 2025, the Company had a cash balance of \$39,673. Based on the Company's budgeted expenditures, this amount of cash is sufficient to fund the Company's obligations and operating expenses for the foreseeable future.

The Company does not currently generate operating cash flow and will require additional financing to support exploration, engineering, permitting, and development at the Volcan Project. There is no guarantee that such financing will be available when needed or on acceptable terms. Market conditions, commodity price fluctuations, investor sentiment toward mining and exploration companies, and general economic uncertainty could all affect the availability and cost of capital. Failure to secure sufficient funds could affect the timing of project advancement. Any equity financing may require approval by the Company's shareholders or Board. Debt or other financing could limit financial flexibility, increase exposure to economic conditions, and restrict the Company's ability to borrow further, pay dividends, or invest. It may also involve restrictive covenants or repayment obligations.

2. Basis of preparation

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) ("IFRS Accounting Standards").

Basis of presentation

On March 13, 2023, the Company entered into a share contribution agreement to acquire a 100% interest in Andina Minerals Chile SpA ('Andina') from HM Holdings with the issuance of 99,252 of its shares in favour of HM Holdings. Andina is the owner of the Volcan gold project, located in the Atacama Region of Chile, on the Maricunga gold belt (refer to Note 7).

HM Holdings controlled Andina prior to the transaction with the Company and maintains control over both Andina and the Company subsequent to the transaction. Andina was transferred as part of the capital reorganization, and therefore the transaction was a common control transaction. This was treated as an asset acquisition and is also considered a common control transaction. The company's accounting policy is to record the common control asset acquisitions on the date of occurrence at the historical carrying value.

Tiernan Gold Corp.
Notes to the consolidated financial statements
(Expressed in thousands of US dollars and shares in thousands)

As at December 31, 2025 and 2024 and for the years ended December 31, 2025 and 2024

On December 16, 2025, the Company completed a reverse takeover transaction (the “Transaction”) with Railtown Capital Corp. (“Railtown”), a capital pool company listed on the TSX Venture Exchange. Although Railtown is the legal parent, the Company has been identified as the accounting acquirer based on the substance of the Transaction.

As Railtown did not meet the definition of a business under IFRS 3, the Transaction has been accounted for in accordance with IFRS 2 as a share-based payment transaction. The Company is deemed to have issued equity instruments in exchange for the identifiable net assets of Railtown, with any excess of the fair value of the equity instruments issued over the fair value of the net assets acquired recognized as a listing expense.

These consolidated financial statements represent a continuation of the Company’s financial statements, with the equity structure reflecting that of Railtown. Comparative figures are those of the Company prior to the Transaction. The net assets of Railtown have been recognized at their fair values as at the date of the Transaction, and its results of operations have been included from that date.

The consolidated financial statements have been prepared on a historical cost basis.

Consolidation

These consolidated financial statements include the financial statements of the Company and its controlled subsidiaries.

Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation. All intercompany transactions and balances have been eliminated on consolidation.

These consolidated financial statements include the Company’s wholly owned subsidiary, Andina. Andina was incorporated in Chile on March 30, 2004 and holds the Volcan project (refer to Note 7).

3. Material accounting policy information

a) Currency translation

The functional currency of Tiernan Gold Corp, the parent company, is the United States Dollars (US\$) which reflects the underlying transactions, events and conditions that are relevant to the entity. Andina, based in Chile, has the functional currency of the primary economic environment in which it operates, that is the Chilean Peso.

Financial statements expressed in their corresponding functional currencies are translated into US dollars by applying the exchange rate at period-end for assets and liabilities and the transaction date exchange rate for income statement items. The resulting difference on consolidation is included as cumulative translation adjustment in equity.

(b) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, or fair value through profit or loss (FVTPL).

Tiernan Gold Corp.

Notes to the consolidated financial statements

(Expressed in thousands of US dollars and shares in thousands)

As at December 31, 2025 and 2024 and for the years ended December 31, 2025, and 2024

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows or other purposes.

Subsequent measurement

Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Company's financial assets at amortized cost include cash and cash equivalents and trade receivables.

As at December 31, 2025 and 2024 and for the years ended December 31, 2025 and 2024

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL include instruments with cash flows that are not solely payments of principal and interest, or instruments designated at fair value through profit or loss to eliminate an accounting mismatch. Net changes in fair value are recognized in profit or loss.

The Company does not hold any financial assets at FVTPL.

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets measured at amortized cost. For trade receivables, the Company applies a simplified approach in calculating ECLs, recognizing a loss allowance based on lifetime ECLs at each reporting date.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or financial liabilities measured at amortized cost, as appropriate.

All financial liabilities are initially recognized at fair value and, in the case of accounts payable, net of directly attributable transaction costs. The Company’s financial liabilities include accounts payable and derivative financial liabilities (warrants).

Subsequent measurement

Financial liabilities at FVTPL

Warrant liabilities are classified as derivative financial liabilities at FVTPL as they do not meet the criteria for equity classification under IAS 32. Under IAS 32, a contract that will be settled in the Company’s own equity instruments is classified as equity only if it meets the “fixed-for-fixed” criterion, whereby the contract requires delivery of a fixed number of the Company’s shares in exchange for a fixed amount of cash.

The Company’s warrants fail the fixed-for-fixed test because they are denominated in Canadian dollars, while the Company’s functional currency is the US dollar. Accordingly, the warrants are classified as derivative financial liabilities and are initially recognized at fair value on the date of issuance. Subsequent to initial recognition, the warrant liabilities are remeasured at fair value at each reporting date, with changes in fair value recognized in profit or loss.

The fair value of the warrants is determined using an appropriate option pricing model incorporating inputs including the Company’s share price, exercise price, expected volatility, expected life of the warrants, and risk-free interest rate. The warrant liabilities are derecognized when exercised, expired, or otherwise extinguished.

Financial liabilities measured at amortized cost

Accounts payable are subsequently measured at amortized cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized.

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Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another on substantially different terms, the original liability is derecognized and a new liability recognized. The difference in carrying amounts is recognized in profit or loss.

(c) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortized cost. For the purposes of the statement of financial position, cash and cash equivalents comprise cash on hand and deposits held with banks that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents, as defined above, are shown net of outstanding bank overdrafts.

(d) Trade and other receivables

Current trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. Non-current receivables are stated at amortized cost. A provision for impairment of trade receivables is determined by applying the simplified approach under IFRS 9 to measure expected credit losses using lifetime expected losses.

(e) Share Capital

Equity financing transactions involve the issuance of common shares. The Company allocates the proceeds from these offerings to common share capital.
Costs directly identifiable with the raising of share capital financing are charged against share capital.

(f) Earnings per share

Basic earnings per share represents the earnings for the period, divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share represents the earnings for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be antidilutive. Contingently releasable escrow common shares are excluded from the calculation of weighted average number of common shares outstanding.

(g) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognized in equity.
Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

As at December 31, 2025 and 2024 and for the years ended December 31, 2025 and 2024

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Fair value measurement

The Company measures financial instruments, such as, derivatives, and non-financial assets at fair value at each statement of financial position date. Also, fair values of financial instruments are measured at amortized cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy.

For assets and liabilities that are recognized in the financial statements on a recurring basis at fair value, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring fair value measurement and unquoted financial assets, and for non-recurring measurement.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company, in conjunction with its external valuers, where applicable, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

As at December 31, 2025 and 2024 and for the years ended December 31, 2025, and 2024

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(i) Intangible assets

Water permits

Water permits represent the right that allows the holder to withdraw a specified amount of water from the ground for reasonable, beneficial use. Water permits are recognized as intangible assets when acquired and are initially measured at cost. Under Chilean law, water permits are generally granted in perpetuity, are not subject to renewal or expiry terms, and can be freely sold or transferred independently of the underlying mining concessions or land.

Management has determined that these rights have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate economic benefits. Consistent with IAS 38 Intangible Assets, intangible assets with indefinite useful lives are not amortized but are subject to annual impairment testing in accordance with IAS 36 Impairment of Assets, and more frequently when indicators of impairment exist.

The classification of water rights as indefinite life intangible assets is reviewed at each reporting date to ensure that events and circumstances continue to support an indefinite life assessment.

(j) Evaluation and exploration assets

Exploration and evaluation expenses are capitalized when there is sufficient evidence that there is a future economic benefit to the Company. All other exploration and evaluation expenses are expensed as incurred. Exploration and evaluation expenses are considered to have a future benefit to the Company when there is a high degree of confidence of the existence of economically recoverable minerals. The stage, timeline and associated risks of the project are also considered.

Evaluation and exploration assets are reclassified to mineral properties under development within property, plant and equipment once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest have been demonstrated. In making this assessment, the Company considers factors such as:

- completion of a positive feasibility study or other technical studies demonstrating economic viability;
- approval by the Board of Directors of a development plan;
- receipt (or reasonable expectation of receipt) of key permits and regulatory approvals; and
- availability of financing to fund the development phase.

Upon reclassification, the assets are tested for impairment and subsequently accounted for in accordance with IAS 16 Property, Plant and Equipment. After this point, costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management are capitalized as development expenditures.

(k) Impairment of non-financial assets

At each reporting date, the Company assesses whether there are indicators that non-financial assets (including evaluation and exploration assets, mineral properties under development, property, plant and equipment, and intangible assets) may be impaired. If any such indication exists, or when annual impairment testing is required for assets with indefinite useful lives, the Company estimates the recoverable amount of the asset or cash-generating unit ("CGU").

The recoverable amount is the higher of:

- Fair value less costs of disposal ("FVLCD"): the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal; and
- Value in use ("VIU"): the present value of the future cash flows expected to be derived from an asset or CGU, using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

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Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

For mining assets, the determination of recoverable amount requires management to make significant estimates and assumptions, including commodity price forecasts, production volumes, operating costs, capital expenditures, rehabilitation costs, discount rates, and, where applicable, mineral reserve and resource estimates and the probability of obtaining regulatory approvals.

The Company reassesses impairment indicators and the appropriateness of key assumptions at each reporting date. Reversals of impairment losses are recognized when there has been a change in the estimates used to determine the recoverable amount.

Calculation of recoverable amount

The recoverable values are determined using a FVLCD methodology. The FVLCD of the developing stage mine assets or advanced exploration projects is determined using a discounted cash flow model or the value-in-situ methodology, which applies a realizable 'enterprise value' to unprocessed mineral resources per ounce of resources, to estimate the amount that would be paid by a willing third party in an arm's length transaction.

Reversal of impairment

An impairment loss is reversed if 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 amortisation, if no impairment loss had been recognized.

(l) Asset Retirement Obligations

The Company recognizes provisions for legal and constructive obligations associated with the retirement of exploration and evaluation assets and property and equipment when:

- The Company has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of economic resources will be required to settle the obligation; and
- A reliable estimate of the amount can be made.

Asset retirement obligations ("AROs") may arise from activities, including drilling, trenching, site disturbance, or the installation of exploration facilities, which give rise to obligations for site restoration and reclamation under applicable legislation, contractual arrangements, or established practice.

(m) Share-Based Compensation

The fair value of equity-settled share-based compensation awards are estimated as of the date of the grant and recorded as share-based compensation expense in the consolidated statements of income and comprehensive income over their vesting periods, with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met. Market price performance conditions are included in the fair value estimate on the grant date with no subsequent adjustment to the actual number of awards that vest. Forfeiture rates are estimated on grant date, and adjusted for actual forfeitures at each reporting year. Changes to the estimated number of awards that will eventually vest are accounted for prospectively. Share based compensation awards with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values.

The fair value of stock options is estimated using the Black-Scholes option valuation model. The fair value of restricted and deferred share units is based on the fair market value of a common share equivalent on the date of grant. The fair value of performance share units awarded with market price conditions is determined using the Monte Carlo pricing model and the fair value of performance share units with non-market performance conditions is based on the fair market value of a common share equivalent on the date of grant.

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(n) New standards, interpretations and amendments adopted

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendment to IAS 21 - Lack of Exchangeability

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not, as well as associated disclosure requirements when it is concluded a currency is not exchangeable.

The adoption of this amendment had no impact on the Consolidated Financial Statements as at December 31, 2025.

(o) Future standards not yet adopted

Presentation and Disclosure in Financial Statements (IFRS 18) - IFRS 18 will replace IAS 1, Presentation of Financial Statements which aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about 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. IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date. Management is currently assessing the impact of these standards but is not yet able to determine the extent of any changes on future financial reporting (if any). Certain pronouncements were issued by the IASB but are not yet effective as at December 31, 2025. The Company intends to adopt these standards when they become effective. Management is evaluating these new standards to determine the impact on the Company's financial statements and disclosures.

4. Critical accounting estimates and judgements

Some of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimates is contained in the accounting policies and/or the notes to the financial statements. Significant areas of estimation uncertainty and critical judgements made by management in preparing the consolidated financial statements include:

Significant estimates:

Ore reserves and resources

There are numerous uncertainties inherent in estimating ore reserves and resources. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and resources and may, ultimately, result in the reserves and resources being restated.

The Company estimates its ore reserves and mineral resources based on information compiled by internal competent persons. Reports to support these estimates are prepared each year and are stated in conformity with the 2012 Joint Ore Reserves Committee (JORC) code.

Reserves and resources are also used in the units of production method of calculating depreciation as well as the determination of the timing of mine closure cost and impairment analysis.

Recoverable values of mining assets

As at December 31, 2025 and 2024 and for the years ended December 31, 2025 and 2024

The recoverable values of advanced exploration projects are determined using a FVLCD methodology. FVLCD is estimated using valuation techniques that are appropriate in the circumstances and for which sufficient data are available. These techniques include discounted cash flow models, value-in-situ methodologies based on comparable company analysis, and/or observable market transactions. When using a value-in-situ methodology, the in-situ value is based on a comparable company analysis and applies a realizable 'enterprise value' to unprocessed mineral resources per ounce of resources, to estimate the amount that would be paid by a willing third party in an arm's length transaction. There is judgement involved in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants. Changes in these assumptions will affect the recoverable amount of the mineral property.

Income tax

Judgement is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilise recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

Warrants classification and valuation

The classification of warrants as either equity instruments or derivative financial liabilities requires judgment and is assessed in accordance with IAS 32 Financial Instruments: Presentation. Warrants that fail the "fixed-for-fixed" criterion, including those denominated in a currency other than the Company's functional currency or containing provisions that could result in variability in the number of shares issued or the amount of consideration received, are classified as derivative financial liabilities. Such warrants are accounted for in accordance with IFRS 9 Financial Instruments.

Derivative-classified warrants are initially recognized at fair value using the date of issuance and subsequently remeasured at fair value at each reporting date, with changes in fair value recognized in profit or loss. The determination of fair value requires the use of option pricing models, such as Black-Scholes, and significant assumptions, including the Company's share price volatility, expected life of the warrants, risk-free interest rates, and other market-based inputs. Changes in these assumptions could materially affect the estimated fair value of the derivative financial liabilities and the resulting gains or losses recognized in profit or loss.

The company issued warrants in connection with the private placement closed in December 2025 (refer to note 6).

Critical judgements:

Determination of functional currencies

The determination of functional currency requires management judgement, particularly where there may be several currencies in which transactions are undertaken and which impact the economic environment in which the entity operates.

Recognition of evaluation and exploration assets

Judgement is required in determining when there is sufficient evidence that there is a future economic benefit of an exploration project, at which point the exploration costs are capitalized. This includes an assessment of whether there is a high degree of confidence of the existence of economically recoverable minerals. The stage, timeline and associated risks of the project are also considered. The exploration and evaluation assets are then assessed for impairment when facts and circumstances suggest that the carrying amount is not recoverable.

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Business combinations and asset acquisitions

In identifying a business combination or acquisition of assets the Company applies the concentration test in accordance with IFRS 3 to determine whether an acquisition is a business combination or an asset acquisition. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable assets or a group of similar assets. If the concentration test is met, the acquisition is accounted for as an asset acquisition. If the concentration test is not met, the Company considers the underlying inputs, processes and outputs acquired as a part of the transaction. For an acquired set of activities and assets to be considered a business there must be at least some inputs and processes that have the capability to achieve the purposes of the Company. Where significant inputs and processes have not been acquired, a transaction is considered to be the purchase of assets.

For the assets and assumed liabilities acquired the Company allocates the total consideration paid (including directly attributable transaction costs) based on the relative fair values of the underlying items.

Where the acquiree does not meet the definition of a business under IFRS 3, the transaction is accounted for in accordance with IFRS 2 Share-based Payment as the acquiree is deemed to have issued equity instruments in exchange for its identifiable net assets. Any excess of the deemed consideration over the fair value of the identifiable net assets acquired is recognized as a listing expense in the income statement. In December 2025, the Company completed a reverse takeover of Railtown Capital Corp., a TSXV-listed capital pool company. As Railtown did not meet the definition of a business under IFRS 3, the transaction was accounted for in accordance with IFRS 2 (refer to note 6).

5. Finance costs

	Year ended December 31, 2025	Year ended December 31, 2024
Change in fair value of financial liability through profit or loss (1) (note 6)	\$ (7,247)	\$ –
Transaction costs related to the issuance of warrants	(418)	–
Bank commissions	(19)	(36)
Other	(3)	–
Total	\$ (7,687)	\$ (36)

(1) Includes the unrealized loss arising from changes in the fair value of the warrants issued in connection with the private placement, and classified as derivative financial liabilities of \$7,247 (refer to Note 6).

The change in fair value of financial liabilities recognized through profit or loss relates to the following:

Warrant type	Warrants outstanding	Exercise price (C\$)	Expiry
Warrants issued in the private placement (note 6)	5,835	6.50	18/11/2027

6. Reverse Takeover Transaction (RTO) and Private Placement

On December 16, 2025, the Company completed a reverse take over with Railtown, a capital pool company listed on the TSX Venture Exchange (“TSXV”), by way of a three-cornered amalgamation (the “Transaction”). As a result of the Transaction, Railtown acquired all of the issued and outstanding securities of Tiernan in exchange for securities of Railtown, and the combined entity continued under the name Tiernan Gold Corp. HM Holdings, retained control of the resulting public entity (the “Resulting Issuer”). Accordingly, the Transaction constituted a reverse takeover of Railtown by Tiernan for accounting purposes.

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In connection with the Transaction, Tiernan consolidated its issued and outstanding common shares on the basis of one post-consolidation common share for approximately every 2.68 pre-consolidation common shares, and Railtown consolidated its securities on the basis of one post-consolidation security for approximately every 7.09 pre-consolidation securities.

Concurrent with the Transaction, the Company completed a private placement of subscription receipts consisting of one common share and one-half share purchase warrant for a common share for aggregate gross proceeds of C\$41,890(US\$30,471), comprising (i) a treasury offering by the company of 8,000 shares and 4,000 warrants that generated gross proceeds of C\$40,000 (US\$29,096) and (ii) a secondary offering of subscription receipts by HM Holdings, which included 1,835 warrants of the Company for gross proceeds of C\$1,890 (US\$1,375) which represents the value allocated to the Company in respect of the warrants issued.

Each subscription receipt issued in the treasury offering and in the secondary offering was issued at a price of C\$5.00 consisting of approximately C\$4.49 for one common share and C\$0.51 for one-half of a common share purchase warrant. The Company estimated the value of a common share purchase warrant through the use of the Black Scholes Option Pricing Model with the input assumptions as outlined below. The value of the shares issued by the Company as part of the treasury offering was C\$35,880 (US\$26,199), which was measured by deducting the C\$4,120 (US\$2,897) estimate of fair value for the warrants from the aggregate subscription price per unit paid by investors of C\$40,000 (US\$29,096). The value allocated to the warrants issued in the secondary offering amounted to C\$1,890 (US\$1,375). Upon completion of the Transaction, the subscription receipts automatically converted into one common share of the Resulting Issuer and one-half of one common share purchase warrant, with each whole warrant exercisable to acquire one common share at an exercise price of C\$6.50 for a period of 24 months following the closing of the private placement.

Effects on cash flows of Private Placement

Gross proceeds Treasury offering – shares	\$	26,199
Agent fees and transaction costs		(1,969)
Proceeds from issue of common shares, net of transaction costs		24,230
Gross proceeds Issuance of warrants		4,272
Agent fees and transaction costs		(418)
Warrants, net of transaction costs		3,854
Total impact on cash flows	\$	28,084

For accounting purposes, Tiernan was identified as the acquirer and Railtown as the acquiree. Railtown did not meet the definition of a business under IFRS 3 Business Combinations; accordingly, the Transaction was accounted for as a reverse takeover and accounted for in accordance with IFRS 2 Share-based Payment as the resulting issuer is deemed to have issued equity instruments in exchange for the identifiable net assets of Railtown. The excess of the deemed consideration over the fair value of Railtown's identifiable net assets resulted in a listing expense of \$9,052.

Deemed consideration:

Railtown shares post combination pre-financing		2,753
Value per share of the financing (USD per share)		3.26
Total value of Railtown shares		8,971
Railtown's legacy options and warrants		678
Deemed consideration (Railtown's fair value)	\$	9,649
Cash and cash equivalents		585
Trade and other receivables		19

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Trade and other payables		(7)
Railtown's net assets		597
Listing expense	\$	9,052

Because the exercise price of the warrants issued as part of the subscription receipts was denominated in Canadian dollars while the functional currency of the resulting issuer is the US dollar, these warrants do not meet the "fixed-for-fixed" criterion under IAS 32 Financial Instruments: Presentation and are therefore classified as financial liabilities measured at fair value through profit or loss. Upon issuance of the warrants in connection with the primary and the secondary offerings, the Company recognized a financial liability of \$4,272 in respect of these warrants. Subsequent changes in the fair value of the warrants, amounting to \$7,247, are recognized in profit or loss within finance costs.

The table below sets out the key assumptions used to estimate the fair value of the Warrants under the Black-Scholes option pricing model.

	Value / Assumption December 31, 2025	Value / Assumption December 16, 2025
Exercise Price	C\$6.50	C\$6.50
Expiry date	November 18, 2027	November 18, 2027
Number of warrants (thousands)	5,835	5,835
Risk-free interest rate	2.58%	2.58%
Expected volatility (annualized)	61.44%	61.44%
Dividend yield	0%	0%
Share price	C\$7.15	C\$4.49
Per warrant fair value	C\$2.71	C\$1.01

The sensitivity of the value of the warrants issued in the private placement as at December 31, 2025 is as follows:

	\$
Annual volatility (increase by 5%)	681
Annual volatility (decrease by 5%)	(723)
Share price (increase by 5%)	1,106
Share price (decrease by 5%)	(1,106)

The following table summarizes the warrants issued in the private placement, as well as the movements in the derivative financial liabilities during the year:

Number of warrants issued (thousands)		5,835
Issue date		December 16, 2025
Fair value at the issuance date	\$	4,272
Fair value adjustment recognized in profit or loss		7,247
Foreign exchange effect		14
Fair value at December 31, 2025	\$	11,533

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7. Mineral property

On March 13, 2023, the Company acquired the Volcan gold project, located in the Atacama Region in Chile, on the Maricunga gold belt, from HM Holdings, a company under common control.

The Volcan project is a gold property located approximately 700 kilometers (“km”) north of Santiago, the capital of Chile. The total area controlled comprising the Volcan project is 45,289 hectares (“ha”), corresponding to the actual property boundaries. Andina owns water rights, which have been developed in two wells located approximately 21 km from the mineral resource area and 5 km east of the northern end corner of the Volcan concessions.

The Project has a Preliminary Economic Assessment (“PEA”) with an effective date of March 15, 2023, which was recently updated by a qualified person with an effective date of July 15, 2025. The study contemplates an average of 332,000 ounces of gold production per year for the first 10 years of operations with 3.8 million ounces produced over the estimated mine life.

There are three royalty agreements which apply to the Volcan gold project concessions as follows:

- First, there is a royalty agreement from May 2004, between Andina and “Sociedad Legal Minera Volcan Una de la Sierra del Volcan Copiapó y Otras” (a consortium of local individuals) for: \$nil on the first 2 million ounces (Moz) of gold production; \$5 for each ounce (oz) of gold produced after the first 2 Moz and up to the 4 million the ounce; and 1% Net Smelter Return (“NSR”) on gold production from the Andina mining concessions above 4 million the ounce.
- Second, Compañía Minera Barrick Chile Limitada (an arms’ length entity) retained a 1.5% NSR royalty on all metals produced from the Andina exploration concessions acquired from Barrick in 2009, should they be developed.
- Third, in July 2023, Franco-Nevada Corporation owned of Barrick royalty, purchased a 1.5% NSR on all gold and copper production from Volcan concessions for \$15M.

	Exploration and evaluation assets	Water rights	Total
Total as at January 1, 2024	\$ 29,976	\$ 11,279	\$ 41,255
Additions	1,073	-	1,073
Foreign exchange effect	(5,557)	(1,351)	(6,908)
Total as at December 31, 2024	25,492	9,928	35,420
Additions	1,823	-	1,823
Foreign exchange effect	4,613	1,071	5,684
Impairment reversal (1)	28,335	9,838	38,173
Total as at December 31, 2025	\$ 60,263	\$ 20,837	\$ 81,100

(1) In December 2025, management determined that there was a trigger of reversal of impairment in the Volcan project due to the increase in long-term gold prices. The recoverable value of the Volcan project was determined using a FVLCD methodology. As of December 31, 2024 the Company used a value in-situ methodology, which applies a realisable ‘enterprise value’ to unprocessed mineral resources per ounce of resources.

As at 30 June 2025, management identified indicators for a reversal of impairment for the Volcan project driven by an increase in long-term gold price assumptions, resulting in the recognition of a partial reversal of impairment of \$31,844.

The enterprise value used in the June 30, 2025 calculation was a risk adjusted value per in-situ gold equivalent ounce of \$6.72 (2024: \$3.72). The impairment test resulted in a reversal of impairment of \$31,844 (\$23,446 in evaluation and

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exploration assets and \$8,398 in water rights) at June 30, 2025. The remaining accumulated impairment loss that could be reversed in the Volcan project at June 30, 2025 amounted to \$5,728.

During the second half of 2025, additional positive market evidence became available following the completion of the reverse takeover transaction and concurrent financing on 16 December 2025, which provided an observable valuation benchmark for the Volcan project (refer to Note 6). Based on this transaction, management concluded that the recoverable amount of the Volcan CGU exceeded its carrying amount as at 31 December 2025. Accordingly, the remaining accumulated impairment loss of \$6,329 (\$5,728 before change in foreign exchange rates) was fully reversed as at 31 December 2025.

The 2025 impairment tests resulted in a reversal of impairment totaling \$38,173 (\$28,335 in evaluation and exploration assets and \$9,838 in water rights).

The carrying amount of the Volcan CGU, which includes the water permits, is reviewed annually, or where there are indicators, to determine whether it is in excess of its recoverable amount.

The additions are as follows:

	Year ended December 31, 2025	Year ended December 31, 2024
Personnel expenses	\$ 68	\$ 81
Third party services	716	148
Concessions	905	812
Other	134	32
Total	<u>\$ 1,823</u>	<u>\$ 1,073</u>

8. Accounts payable

	As at December 31, 2025	As at December 31, 2024
Trade payables	\$ 1,307	\$ 76
Taxes and contributions	19	13
Salaries and wages payable	15	10
Accounts payable to related parties (note 13)	1,847	880
Total	<u>\$ 3,188</u>	<u>\$ 979</u>

9. Income tax

	Year ended December 31, 2025	Year ended December 31, 2024
Income before income taxes	\$ 20,201	\$ 179
Expected income tax	5,546	50
Non-recognized losses (utilization of prior tax losses)	2,841	(50)
Non-deductible expenses	1,920	-
Non taxable income: Reversal of impairment	(10,307)	-
Chilean income tax on donations	(12)	(11)
Income tax charge	<u>\$ (12)</u>	<u>\$ (11)</u>

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The significant components of the Company's deferred income tax assets as at December 31, are as follows:

	As at December 31, 2025	As at December 31, 2024
Volcan project	\$ 6,698	\$ 15,154
Tax loss carryforward	1,526	1,043
Capitalized listing expenses and others	2,396	-
Unrecognized deferred income tax (assets)	(10,620)	(16,197)
Net deferred tax assets	\$ -	\$ -

The Company has not recognized any deferred income tax assets as at December 31, 2025 (2024: \$nil).

The weighted average statutory income tax rate was 27.5% for 2025 and 27.7% for 2024.

10. Share Capital

Authorized

Unlimited common shares without par value. Common shares carry equal rights with respect to voting, dividends, and repayment of capital. Holders of common shares are entitled to one vote per share at meetings of the Company. There are no preferences, conversion rights, or restrictions attached to this class of share.

Share consolidation

Prior to the reverse takeover transaction (refer to Note 6), the Company consolidated its issued and outstanding common shares on the basis of one post- consolidation common share for approximately every 2.68 pre-consolidation common shares (as at December 31, 2024: 37,000 common shares, after giving effect to the retrospective share consolidation). All share disclosures are on a post- consolidated basis.

Share issuances

During the year ended December 31, 2025, the Company:

- Issued 2,753 common shares in connection with the reverse takeover transaction completed on December 16, 2025, representing the shares held by former shareholders of Railtown Capital Corp. These shares were measured at a fair value of \$3.26 per share, resulting in total deemed consideration of \$8,971.
- Issued 8,000 common shares upon the automatic conversion of subscription receipts issued as part of the treasury offering completed concurrently with the Transaction, which generated gross proceeds of \$26,199 and share issuance costs of \$1,969 were incurred in connection with the offering.

During the year ended December 31, 2024, the Company did not issue any shares.

Earnings per share

Basic and diluted earnings per share have been calculated in accordance with IAS 33 – Earnings per Share.

The Company has outstanding warrants that are classified as financial liabilities in accordance with IAS 32 due to certain contractual terms. These warrants are measured at fair value through profit or loss. Notwithstanding their liability classification, the warrants are considered potential common shares for purposes of diluted earnings per share in accordance with IAS 33.

Basic Earnings per Share

Basic earnings per share is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

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	2025	2024
Net income	\$ 20,189	\$ 168
Weighted average common shares outstanding	37,442	34,000
Earnings per common share (expressed in U.S. dollars per share)	\$ 0.54	\$ 0.00

Diluted Earnings per Share

Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into ordinary shares.

The Company's outstanding warrants, although classified as financial liabilities, are exercisable into common shares and are therefore considered potential common shares under IAS 33. Under the treasury stock method, the outstanding warrants were determined to be anti-dilutive.

Stock options

The Company has adopted a stock option plan under which directors, officers, employees and consultants may be granted options to acquire common shares of the Company. The exercise price of each option is determined by the Board of Directors, subject to applicable exchange requirements. Options generally vest over a specified period and have a maximum term of up to 8 years. The options are anti-dilutive.

As at 31 December 2025 the options of the Company are as follows:

Options	Options outstanding	Exercise price (C\$)	Expiry
Option 1	95	0.71	28/01/2031
Option 2	85	3.76	3/03/2034

The Company has legacy warrants outstanding that were fair valued on the date of completion of the RTO and converted into warrants over the new issuer's shares, and are classified within equity (other reserves):

Warrants	Warrants outstanding	Exercise price (C\$)	Expiry
Railtown's legacy warrants	67	0.71	28/01/2031

11. Management of capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

There were no changes to the Company's approach to capital management during the years ended December 31, 2025 and 2024.

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12. Financial instruments

For financial instruments held by the Company, management classifies warrants liabilities as FVTPL and receivables and accounts payable as amortized cost.

a) Fair value of financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the warrants liabilities is based on level 2 inputs of the fair value hierarchy.

As at December 31, 2025 and 2024, the Company believes that the carrying values of receivables and accounts payable approximate their fair values because of their nature and relatively short maturity dates or durations.

b) Management of risks arising from financial instruments

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash and cash equivalents is held with reputable Canadian, American and Chilean banks. The credit risk related to cash and cash equivalents is considered minimal.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize such a loss is limited because the Company has no interest-bearing financial instruments.

Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash and cash equivalents to enable settlement of transactions as they come due. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

Currency risk

The international nature of the Company's operations results in foreign exchange risk. The Company's operating costs are primarily in US dollars. Any fluctuations of the US dollar in relation to these currencies may affect the profitability of the Company and the value of the Company's assets and liabilities. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

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13. Related-party balances and transactions

The Company had the following related-party balances and transactions during the years ended December 31, 2025 and 2024. The related parties are companies owned or controlled by the main shareholder of the parent Company.

	December 31, 2025	December 31, 2024
Current related party balances	\$	\$
Minera Hochschild Chile SCM	285	118
Compañía Minera Ares S.A.C.	2	2
Hochschild Mining Holdings Ltd.	1,560	760
Total	\$ <u>1,847</u>	\$ <u>880</u>

The increase in related party balances is mainly related to a net increase of \$800 in accounts payable to Hochschild Mining Holdings for short-term working capital funding, and was repaid in full subsequent to year end.

As at December 31, 2025 and 2024, all amounts owing to related parties were unsecured and non-interest bearing.

Related parties are as follows:

	Relationship	Country
Hochschild Mining PLC	Ultimate Parent	United Kingdom
Hochschild Mining Holdings Ltd	Parent	United Kingdom
Compañía Minera Ares S.A.C.	Common owners	Perú
Minera Hochschild Chile SCM	Common owners	Chile

Key management includes directors and officers of the Company. Compensation for key management personnel are as follows:

	Year ended December 31, 2025	Year ended December 31, 2024
Short-term benefits (included in Total administrative expenses)	\$ 391	\$ 149

As at December 31, 2025 there are short-term benefits payable to directors and officers of the Company amounting to US\$196 (C\$268).