AgMR
TSXV.AGMR

SILVER MOUNTAIN RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(EXPRESSED IN UNITED STATES DOLLARS)
(UNAUDITED)

Silver Mountain Resources Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in United States Dollars) (Unaudited)

	As at June 30, 2022	As at December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	**$ 17,117,533**	$ 6,990,383
Restricted cash (Note 4)	**240,838**	-
Amounts receivable and other assets	**165,374**	40,054
Deferred share issue costs	**-**	393,370
	17,523,745	7,423,807
Non-current assets		
Property, plant and equipment (Note 5)	**449,182**	474,506
Exploration and evaluation costs (Note 6)	**10,790,182**	8,290,830
Tax credits (Note 7)	**1,238,183**	713,791
Total assets	**$ 30,001,292**	$ 16,902,934
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Amounts payable and other payables (Note 8)	**$ 1,856,073**	$ 720,547
Loan payable (Note 9)	**-**	1,279,713
	1,856,073	2,000,260
Non-current liabilities		
Loan payable (Note 9)	**-**	1,137,652
Warrant liabilities (Note 10)	**1,642,016**	-
Total liabilities	**3,498,089**	3,137,912
Shareholders' equity		
Share capital (Note 11)	**34,286,247**	18,301,457
Contributed surplus (Note 12)	**409,749**	113,995
Deficit	**(8,192,793)**	(4,650,430)
Total shareholders' equity	**26,503,203**	13,765,022
Total liabilities and shareholders' equity	**$ 30,001,292**	$ 16,902,934

Nature and continuance of operations (Note 1)
Subsequent events (Note 18)

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

Silver Mountain Resources Inc.
Condensed Interim Consolidated Statements of Net and Comprehensive Loss
(Expressed in United States Dollars) (Unaudited)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Operating expenses				
General and administrative (Note 15)	**$ 2,047,304**	$ 240,755	**$ 4,031,944**	$ 396,228
Share-based compensation (Note 12)	**154,702**	-	**295,754**	-
Operating loss before the following items	**(2,202,006)**	(240,755)	**(4,327,698)**	(396,228)
Financial expenses	**(4,408)**	(148,011)	**(532,358)**	(279,397)
Foreign exchange loss	**(405,397)**	(10,817)	**(185,808)**	(11,944)
Realized gain on disposal of property, plant and equipment	**4,452**	-	**4,452**	-
Unrealized (loss) gain on revaluation of warrant liabilities (Note 10)	**(619,861)**	-	**1,499,049**	-
Net and comprehensive loss for the period	**$ (3,227,220)**	$ (399,583)	**$ (3,542,363)**	$ (687,569)
Basic and diluted loss per share	**$ (0.02)**	$ (0.00)	**$ (0.02)**	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	**186,419,860**	109,726,030	**176,775,109**	92,458,890

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

Silver Mountain Resources Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in United States Dollars) (Unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Operating activities		
Net loss for the period	**$ (3,542,363)**	$ (687,569)
Items not affecting cash		
Depreciation	**96,481**	90,691
Realized gain on disposal of property, plant and equipment	**(4,452)**	-
Unrealized gain on revaluation of warrant liabilities	**(1,499,049)**	-
Currency translation effect on revaluation of warrant liabilities	**13,587**	-
Warrant liability issuance costs	**308,844**	-
Accretion on Trafigura loan payable	**519,099**	232,572
Interest accrued on Trafigura loan	**7,564**	-
Share-based compensation	**295,754**	-
Changes in non-cash working capital items:		
Amounts receivable and other assets	**(649,712)**	(43,748)
Amounts payable and other liabilities	**605,065**	(1,039)
Net cash and cash equivalents used in operating activities	**(3,849,182)**	(409,093)
Investing activities		
Exploration cost additions	**(1,911,506)**	(520,211)
Purchase of mining concessions	**(57,385)**	-
Purchase of property, plant and equipment	**(78,705)**	-
Proceeds from disposal of property, plant and equipment	**12,000**	-
Net cash and cash equivalents used in investing activities	**(2,035,596)**	(520,211)
Financing activities		
Proceeds from issuance of shares in IPO, net of costs	**19,196,794**	-
Repayment of Trafigura loan	**(2,944,028)**	(435,680)
Cash acquired in RTO Transaction (Note 3)	**-**	9,523,628
Cash advanced before the RTO Transaction (Note 3)	**-**	500,000
Net cash and cash equivalents provided by financing activities	**16,252,766**	9,587,948
Net change in cash and cash equivalents	**10,367,988**	8,658,644
Cash and cash equivalents, beginning of period	**6,990,383**	203,610
Cash and cash equivalents, end of period	**$ 17,358,371**	$ 8,862,254
Composition of cash and cash equivalents:		
Cash and cash equivalents	**$ 17,117,533**	$ 8,862,254
Restricted cash	**240,838**	-
	$ 17,358,371	$ 8,862,254
Non-cash investing items not included in cash flows:		
Exploration costs accrued	**$ 530,461**	$ -

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

Silver Mountain Resources Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in United States Dollars) (Unaudited)

	Share Capital				
	Number	Amount	Contributed Surplus	Deficit	Total
Balance, December 31, 2020	**267,024,510**	**$ 8,379,239**	**$ -**	**$ (2,507,270)**	**$ 5,871,969**
Share adjustment for RTO (Note 3)	(192,024,620)	-	-	-	-
Shareholders' equity after RTO adjustment (Note 3)	74,999,890	8,379,239	-	(2,507,270)	5,871,969
Shares issued in RTO Transaction, net of costs (Note 3)	58,519,970	9,922,218	-	-	9,922,218
Net loss for the period	-	-	-	(687,569)	(687,569)
Balance, June 30, 2021	**133,519,860**	**18,301,457**	**-**	**(3,194,839)**	**15,106,618**

Balance, December 31, 2021	**133,519,860**	**18,301,457**	**113,995**	**(4,650,430)**	**13,765,022**
Share issued in IPO, net of costs	52,900,000	15,984,790	-	-	15,984,790
Share based compensation (Note 12)	-	-	295,754	-	295,754
Net loss for the period	-	-	-	(3,542,363)	(3,542,363)
Balance, June 30, 2022	**186,419,860**	**$ 34,286,247**	**$ 409,749**	**$ (8,192,793)**	**$ 26,503,203**

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

1. Nature and continuance of operations

Silver Mountain Resources Inc. (the "Company" or "AGMR") is incorporated under the Business Corporation Act (Ontario). The Company is primarily engaged in the acquisition, exploration and development of mineral resource properties in Peru. The address of the Company's corporate office and principal place of business is 82 Richmond Street East Toronto, Ontario, M5C 1P1. The common shares of the Company commenced trading on the TSX Venture Exchange (the “TSXV”) on February 2, 2022 under the symbol “AGMR”, on the OTCQB Venture Market on June 16, 2022 under the symbol "AGMRF", and on the Lima Stock Exchange on July 18, 2022 under the symbol "AGMR". The warrants of the Company commenced trading on the TSXV at the open of markets on March 11, 2022 under the symbol “AGMR.WT”.

The Company holds a NI 43-101 report showing historical resource estimates have been classified in accordance with the CIM Definition Standards, stating that historical resource estimates are not Mineral Reserves nor Mineral Resources and do not have demonstrated economic viability. The Company has not yet determined whether any of its properties contain mineral deposits that are economically recoverable. The recoverability of any amounts shown as mineral property interests is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to execute future profitable production or proceeds from the disposition of its properties.

The Company’s continuation as a going concern is dependent upon the ability of the Company to properly execute the proposed use of proceeds from its recently closed Initial Public Offering (“IPO”) in order to develop the Castrovirreyna Project in Huancavelica, Peru, as well as on locating economically recoverable ore reserves in its mineral properties. Management believes the Company will be successful at completing its development plan towards the restart of production, and that current cash reserves are sufficient to carry forward AGMR’s plan through the coming twelve months.

On February 2, 2022, the Company successfully closed its IPO on the Toronto Stock Exchange Venture (“TSXV”), where the Company offered 52,900,000 units at $0.39 (C$0.50) for gross proceeds of $20,863,760 (C$26,450,000), comprised of one common share in the capital of the Company and one-half warrant. Each warrant entitles the holder thereof to acquire one Common Share at an exercise price of $0.55 (C$0.70) per Common Share for a period of 24 months following the closing of the Offering.

These condensed interim 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 as a going concern.

These condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2022 were approved and authorized for issue by the Board of Directors on August 24, 2022.

2. Significant accounting policies and basis of presentation

(a) Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

The same accounting policies and methods of computation are followed in these condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2021.

(b) Basis of preparation

These condensed interim consolidated financial statements have been prepared on an accrual basis, except for cash flow information and are based on historical costs, modified where applicable for financial instruments measured at fair value. These financial statements are presented in U.S. dollars, which is the functional currency of the Company and its subsidiary.

2. Significant accounting policies and basis of presentation (continued)

(c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its 99.99%- owned subsidiary, Sociedad Minera Reliquias S.A.C. ("AGMR Peru"), which was acquired on May 7, 2021 in conjunction with the RTO Transaction (Note 3). Pursuant to Peruvian General Corporate Law requirements that a Peruvian company have more than one shareholder, in September 2021, the Company issued 10 common shares in SMR Peru for $3.00 to a shareholder of the Company. Because this non-controlling interest in AGMR Peru is not material, it has not been recorded in the Company's condensed interim consolidated financial statements.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

(d) New standards, interpretations and amendments not yet effective

The Company decided to adopt at the time of its effectiveness and not adopt early the accounting standards and interpretations issued by the IASB, and that will be effective as of January 1, 2023, or later.

The standards and amendments to IFRS that have been issued up to the date of issue of the consolidated financial statements and that apply to the Company, but are not yet in force, are described below. The impact that its initial application will have on the consolidated financial statements is unknown since its amount cannot be reasonably estimated. The Company intends to adopt these new and modified standards and interpretations, if applicable when they become effective.

<u>Amendments to IAS 1: Classification of liabilities as current or non-current</u>

In January 2020, the IASB published amendments to paragraphs 69-76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is understood by the right to postpone liquidation;
- That there should be a right to defer at the end of the reporting period;
- That classification is not affected by the probability that an entity will exercise its deferral right; and
- That only if a derivative embedded in a convertible liability is itself an equity instrument, the terms of a liability would not affect its classification.

The amendments are effective for annual periods beginning on or after January 1, 2023, and must be applied retroactively.

(e) Warrant liability

The Company determined that the warrants issued in the IPO are free standing financial instruments, that are legally detachable and separately exercisable from the common stock included in the IPO. The Company also determined that the warrants are puttable for cash upon a fundamental transaction at the option of the holder and as such required to be classified as a financial liability, since its nature is that of a financial derivative because its value is subject to change due to the fluctuation of an index. In accordance with the accounting guidance, the outstanding warrants are recognized as a warrant liability on the balance sheet and are measured at their inception date fair value and subsequently re-measured at each reporting period with changes being recorded as a component of other income in the statement of operations. The fair value of the warrant liability was measured using the Black-Scholes methodology and subsequently valued at its trading market price.

(Expressed in United States Dollars) (Unaudited)

3. Reverse takeover

On May 7, 2021, there was an RTO Transaction between Sociedad Minera Reliquias SAC ("AGMR Peru") and AGMR. In connection with the completion of the RTO Transaction, AGMR acquired all the issued and outstanding shares of AGMR Peru in exchange for 74,999,890 shares of the Company. In substance, the transaction involves AGMR Peru shareholders obtaining control of AGMR; accordingly, the transaction is considered to be a reverse acquisition transaction in which AGMR Peru is identified as the accounting acquirer.

At the time of the transaction, AGMR was a non-operating entity and did not meet the definition of a business under IFRS 3 - Business Combinations, the acquisition was accounted for as a purchase of AGMR's net assets. The consideration paid was determined as an equity-settled share-based payments under IFRS 2, at the fair value of the net assets received at the date of closing. IFRS 2 requires the shares issued for the acquisition of the net assets of AGMR to be measured at the fair value of the net assets, unless the fair value cannot be reliably estimated.

As AGMR Peru was deemed to be the acquirer for accounting purposes, the Company's condensed interim consolidated financial statements present the historical financial information of AGMR Peru to the date of the RTO Transaction and are presented as a continuation of AGMR Peru.

The following represent the preliminary fair value allocation to identifiable net assets acquired.

Consideration		
Fair value of 58,519,970 common shares of AGMR [(1)]	**$**	**9,922,218**
Net assets acquired		
Cash	**$**	**9,523,628**
Cash advanced before RTO Transaction		**500,000**
Accounts payable and accrued liabilities		**(101,410)**
	$	**9,922,218**

[(1)] The common shares issued were valued based on the fair value of net assets acquired.

Before the RTO Transaction, AGMR closed a private placement of 33,333,330 units at a price of $0.30 for gross proceeds of $9,999,999. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each warrant will be exercisable to acquire one common share at an exercise price of $0.90 per share for a period of 36 months from the closing.

In connection with the private placement, the AGMR issued 186,640 compensation units and incurred professional costs of $91,784. Each unit is comprised of one common share and one-half of one common share purchase warrant. The warrants have the same terms as those of the private placement.

Using the residual value method, management determined that all of the proceeds received related to the common share component of the units issued. As such, $nil was allocated to the 16,759,870 warrants included in the units issued.

4. Restricted cash

Restricted cash account of $240,838 (PEN 920,000) (December 31, 2021 - $nil) which has been pledged through a guaranty on behalf of the Peruvian Ministry of Mines ("MINEM") to lift the temporary "Mine Under Suspension" status of AGMR Peru while the Mine Closure Plan (which the MINEM is currently reviewing) is approved. The cash deposit will be returned to AGMR Peru operating accounts following the approval resolution of the Mine Closure Plan.

(Expressed in United States Dollars) (Unaudited)

5. Property, plant, and equipment

	Land	Building & facilities	Mining equipment	Office equipment & furniture	Leased equipment	Total
Cost						
Balance December 31, 2020	**$ 36,041**	**$ 151,544**	**$ 776,039**	**$ 36,310**	**$ 28,305**	**$ 1,028,239**
Additions	-	-	13,300	10,101	-	23,401
Balance December 31, 2021	**36,041**	**151,544**	**789,339**	**46,411**	**28,305**	**1,051,640**
Additions	-	-	1,478	77,227	-	78,705
Disposals	-	-	-	-	(28,305)	(28,305)
Balance June 30, 2022	**$ 36,041**	**$ 151,544**	**$ 790,817**	**$ 123,638**	**$ -**	**$ 1,102,040**
Accumulated Depreciation						
Balance December 31, 2020	**$ -**	**$ 18,274**	**$ 350,075**	**$ 11,087**	**$ 13,209**	**$ 392,645**
Depreciation expense	-	16,609	155,650	6,569	5,661	184,489
Balance December 31, 2021	**-**	**34,883**	**505,725**	**17,656**	**18,870**	**577,134**
Depreciation expense	-	8,304	79,032	7,258	1,887	96,481
Disposals	-	-	-	-	(20,757)	(20,757)
Balance June 30, 2022	**$ -**	**$ 43,187**	**$ 584,757**	**$ 24,914**	**$ -**	**$ 652,858**
Carrying Value						
Balance December 31, 2021	**$ 36,041**	**$ 116,661**	**$ 283,614**	**$ 28,755**	**$ 9,435**	**$ 474,506**
Balance June 30, 2022	**$ 36,041**	**$ 108,357**	**$ 206,060**	**$ 98,724**	**$ -**	**$ 449,182**
Depreciation Rates	**-**	**5% - 20%**	**20%**	**10%**	**25%**	**-**

6. Exploration and evaluation costs

In 2018, the AGMR Peru acquired certain liquidated assets from Corporación Minera Castrovirreyna ("CMC") that comprised the Castrovirreyna Project (“the Project”). The Project is located near the town of Castrovirreyna, department of Huancavelica, province of Castrovirreyna, Peru. The Project includes mine infrastructure that supported the Reliquias and Caudalosa Grande underground operations, which were operated by CMC from 2005–2015.

In 2019, 26 mining concessions were acquired, of which 2 concessions with a total of 28 hectares ("ha") are located in the province of San Genaro, 3 concessions with a total of 1,400 ha are located in the province of Huaytara, and 21 concessions with a total of 15,060 ha are located in the province of Castrovirreyna, all in the department of Huancavelica.

In 2018, AGMR Peru acquired the Project for $7,160,000 and as consideration for the acquisition, the Company entered into a loan arrangement with Trafigura Pte. Ltd. (“Trafigura”), a creditor of CMC at the time of its liquidation.

The Project acquired included the Reliquias and Caudalosa Grande underground mines and associated infrastructure, the Jose Picasso Perata processing plant and a tailings storage facility. AGMR owns 100% of its concessions which are currently held in the name of its subsidiary, AGMR Peru.

The loan arrangement and the acquisition fair value of the committed future cash flows under the Trafigura loan arrangement are outlined in Note 9. This acquisition date fair value was allocated based on the relative fair values of the acquired mining concessions and mining property plant and equipment.

AGMR has total mining concession rights of 31,459 ha and 289 mining concession rights. The total concessions are divided among the Project mining concessions with mineralization potential in Reliquias (15,772 ha | 217 Mining Concessions) and Dorita (15,278 ha | 61 Mining Concessions), the plants and tailings associated to the Project (139 ha | 3 Mining Concessions), El Milagro area (200 ha | 1 Mining Concession), and other concessions with mineralization potential (70 ha | 7 Mining Concessions).

(Expressed in United States Dollars) (Unaudited)

6. Exploration and evaluation costs (continued)

Reliquias

After the acquisition of the Project, AGMR Peru has conducted exploration work that consisted of geological mapping, rock chip and soil sampling, induced polarization geophysical surveys and a reconstruction of historical geological data. Geological evaluation also included preliminary non-compliant mineral resource assessments for the historic Reliquias and Caudalosa Grande underground mines. Furthermore, the Company is also working to obtain the required permits to expand exploration in brownfield areas in the surface of Reliquias. On April 2022, AGMR commenced drilling exploration activities in its Reliquias Underground Mine, to convert the current historical resources and to expand the Company's knowledge of the Reliquias Underground Mine.

Dorita

At the Dorita block of properties, exploration work consisted of geological mapping, rock and soil sampling, IP, and magnetic geophysical surveys. The Dorita block of properties includes mining concessions that contain historic small scale underground operations in veins with polymetallic ore. These concessions were previously exploited when they were under the ownership of CMC; however, these operations were suspended when CMC entered into a liquidation process. The Company is also working to obtain the required permits to expand its exploration activities in this area.

	As at June 30, 2022			As at December 31, 2021		
	Acquisition Costs	Exploration Costs	Total	Acquisition Costs	Exploration Costs	Total
Brownfield - Reliquias	**$ 2,669,025**	**$ 4,266,388**	**$ 6,935,413**	$ 2,664,405	$ 2,492,239	$ 5,156,644
Greenfield - Dorita	**1,386,967**	**1,861,181**	**3,248,148**	1,335,581	1,224,401	2,559,982
Other	**384,103**	**222,518**	**606,621**	382,724	191,480	574,204
	$ 4,440,095	**$ 6,350,087**	**$10,790,182**	$ 4,382,710	$ 3,908,120	$ 8,290,830

	Brownfield - Reliquias	Greenfield - Dorita	Other	Total
Balance, December 31, 2021	**$ 5,156,644**	**$ 2,559,982**	**$ 574,204**	**$ 8,290,830**
Exploration costs				
Contractor service	1,082,092	254,524	-	1,336,616
General on-site expenses	259,580	160,660	-	420,240
Geology	100,873	32,388	-	133,261
Right of use	171,189	102,831	31,038	305,058
Salaries and benefits (Note 14)	160,415	86,377	-	246,792
	1,774,149	636,780	31,038	2,441,967
Acquisition costs				
Mining rights	4,620	51,386	1,379	57,385
Balance, June 30, 2022	**$ 6,935,413**	**$ 3,248,148**	**$ 606,621**	**$ 10,790,182**

(Expressed in United States Dollars) (Unaudited)

7. Tax credits

As at June 30, 2022, the Company maintains in its non-current assets a tax credit for general sales tax (IGV, Impuesto General a las Ventas, in Spanish) of $1,238,183 (December 31, 2021 - $713,791), that will be applied to the IGV generated by local sales. If sales are exported, the Company has the right to request the refund of the value-added tax as a Balance in Favor Matter of Benefit of the Exporter with a limit of 18 percent of the exported freight on board value. According to Peruvian Tax Legislation, IGV does not have an expiration date.

8. Amounts payable and other payables

	As at June 30, 2022	As at December 31, 2021
Trade accounts payable	**$ 1,453,116**	$ 154,800
Taxes payable	**25,752**	10,875
Accrued liabilities	**217,805**	536,953
Other amounts payable	**159,400**	17,919
	$ 1,856,073	$ 720,547

9. Loan payable

On May 6, 2018, the AGMR Peru and Trafigura signed a contract for the assignment of credit rights in the amount of $7,160,000 for the acquisition of assets (property, plant and equipment (Note 5), and mining concessions (Note 6)) from CMC in liquidation.

The AGMR Peru made an initial payment of $2,620,000 and the remaining balance was to be paid in 36 monthly installments totaling $3,380,000, with a single final payment of $1,160,000. This loan bore interest at the 3-month Libor rate + 2.25% per annum. The final payment of $1,160,000 was to be forgiven as long as the AGMR Peru made the initial payment of $2,620,000 and the 36 monthly installments. The 36 monthly installment payments were to commence in the month following the month in which the “José Picasso Perata” concentrator plant attained a minimum average monthly treatment rate of 1000 mtpd. If this rate was not attained by January 1, 2020, the payment period was to commence in October 2020.

On November 2, 2019, when AGMR Peru entered into an offtake agreement for the sale of concentrates with Trafigura, the Company and Trafigura signed an addendum to the foregoing loan agreement where Trafigura agreed to forgive the final payment of $1,160,000 leaving a remaining loan balance of $3,380,000. Additionally, the interest rate on the loan was increased to a 3-month Libor rate + 3% per annum.

On August 13, 2020, AGMR Peru and Trafigura entered into a second addendum where the parties agreed to extend the start of the 36 debt payments on the $3,380,000 portion of the loan until October 1, 2021.

On June 1, 2021, the AGMR Peru and Trafigura entered into a third addendum agreement whereby the parties agreed to an amended repayment schedule for the $3,380,000 outstanding balance that consisted of the following payments:

- A payment of $375,555 in equal monthly payments over a period of four months from June 2021 to September 2021, plus interest.
- A payment of $3,004,444 in equal monthly payments over a period of 36 months from October 2021 to September 2024 plus interest.

The assets acquired under this loan arrangement maintain a negative pledge for $6,000,000 in favor of Trafigura until the total repayment of the debt. As the debt was repaid in March 2022, the negative pledge was cancelled.

(Expressed in United States Dollars) (Unaudited)

9. Loan payable (continued)

The fair value of the loan upon inception was calculated as the discounted future contractual cash payments under the loan agreement using an effective interest rate of 20% per annum. The debt component has been accreted systematically to its face value over the term of the loan by the recording of additional interest. The November 2, 2019 and August 13, 2020 amendments to the Trafigura loan arrangement were determined to be substantial modifications and therefore were accounted for as extinguishments. The June 1, 2021 amendment was determined not to be a substantial modification and therefore was not accounted for as an extinguishment.

During the six months ended June 30, 2022, the Company fully repaid the outstanding balance of its loan from Trafigura with a cash payment of $2,920,988 for the principal payable and $23,040 for the interest payable.

	As at June 30, 2022	As at December 31, 2021
Principal payable – Trafigura – current portion	**$ -**	$ 1,232,758
Interest payable – Trafigura	**-**	46,955
Principal and interest payable – current portion	**-**	1,279,713
Principal payable – Trafigura – long-term portion	**-**	1,137,652
	$ -	$ 2,417,365

10. Warrant liabilities

	As at June 30, 2022	As at December 31, 2021
Balance, beginning of period	**$ -**	$ -
Issuance of warrants (Note 11)	**3,127,478**	-
Unrealized gain on revaluation	**(1,499,049)**	-
Currency translation effect	**13,587**	-
Balance, end of period	**$ 1,642,016**	$ -

The fair value of the warrants upon issuance was determined to be $3,127,478 using the Black-Scholes option pricing model (Note 11). Upon commencement of the warrants trading on the TSXV on March 11, 2022, the trading value was used to determine the fair value estimate for subsequent periods. As of June 30, 2022, the warrants were trading at a price of C$0.08. Of the $2,060,336 of costs incurred in connection with the IPO, $308,844 were allocated to the warrant liabilities and expensed in the statement of net and comprehensive loss for the period.

11. Share capital

a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares.

b) Issued share capital

(i) On November 15, 2021, the Company's Board of Directors approved a ten-for-one stock split of the Company's issued and outstanding common shares. Shareholders of record at the close of business on November 15, 2021 received nine additional common shares for every common share owned. All share data contained in these condensed interim consolidated financial statements and notes has been adjusted to reflect this share split retrospectively.

11. Share capital (continued)

b) Issued share capital (continued)

(ii) On February 2, 2022, the Company closed the initial public offering (the "Offering") of 46,000,000 units of the Company (the "Units") at a price of $0.39 (C$0.50) per Unit (the "Offering Price"), for gross proceeds of $18,142,400 (C$23,000,000). The Company also issued an additional 6,900,000 Units at the Offering Price, for additional gross proceeds of $2,721,360 (C$3,450,000), in connection with the exercise in full of the over- allotment option.

Each Unit is comprised of one common share (a "Common Share") and one half of one common share purchase warrant of the Company (each whole warrant, a "Warrant"). Each Warrant is exercisable into one Common Share at a price of $0.55 (C$0.70) per Common Share and expires on February 2, 2024. The fair value of the Warrants upon issuance was determined to be $3,127,478 using the Black-Scholes option pricing model with the following assumptions: stock price of $0.37 (C$0.47), dividend yield of 0%, expected volatility of 80%, risk free interest rate of 1.24% and expected life of 2 years.

These warrants are considered a derivative liability since the currency denomination of the exercise price (Canadian dollars) is different from the functional currency of the Company (US dollars). As a result, the fair value of the warrants is presented as a liability upon issuance date and any foreign exchange or change in the fair value of the warrants subsequent to their initial recognition is recorded in the statement of net and comprehensive loss.

The Company received net proceeds of $18,803,424 (C$23,862,460) net of underwriters' commissions of $1,440,309 (C$1,825,950) and other costs of $620,027 (C$761,590). $393,370 (C$499,553) of the share issuance costs incurred in 2021 that have been previously accounted for as deferred share issue costs were transferred to share issuance costs upon closing of the Offering.

(iii) See Reverse takeover Note 3.

12. Stock options

On September 17, 2021, the Board of Directors of the Company approved the establishment of the Company's stock option plan relating to the Company's directors, officers, employees and consultants, and to reserve up to 10% of the common shares in the capital of the Company issued and outstanding from time to time for issuance thereunder.

The following table reflects the continuity of stock options for the periods ended June 30, 2022 and December 31, 2021:

	Number of stock options	Weighted average exercise price
Balance, December 31, 2020 and June 30, 2021	**-**	**$ -**
Balance, December 31, 2021	**5,900,000**	**$ 0.30**
Granted (i)(ii)(iii)	3,630,000	0.39
Cancelled	(660,000)	0.39
Balance, June 30, 2022	**8,870,000**	**$ 0.33**

(i) On February 2, 2022, the Company granted stock options to certain directors and officers of the Company and its subsidiaries to purchase up to 1,419,000 common shares of the Company, exercisable at a price of $0.39 (C$0.50) per share and expiring on February 2, 2026. These options will vest over the span of three years, with 709,500 to be vested on the first anniversary of the date of grant, 354,750 to be vested on the second anniversary of the date of grant, and the remaining 354,750 to be vested on the third anniversary of the date of grant.

The fair value was determined to be $344,970 using the Black-Scholes option pricing model with the following assumptions: stock price of $0.36 (C$0.455), dividend yield of 0%, expected volatility of 100%, risk free interest rate of 1.53% and expected life of 4 years.

(Expressed in United States Dollars) (Unaudited)

12. Stock options (continued)

(ii) On March 17, 2022, the Company granted stock options to certain consultants and advisors of the Company and its subsidiaries to purchase up to 891,000 common shares of the Company, exercisable at a price of $0.40 (C$0.50) per share and expiring on February 2, 2026. These options will vest over the span of three years, with 445,500 to be vested on the first anniversary of the date of grant, 222,750 to be vested on the second anniversary of the date of grant, and the remaining 222,750 to be vested on the third anniversary of the date of grant.

The fair value was determined to be $171,999 using the Black-Scholes option pricing model with the following assumptions: stock price of $0.30 (C$0.38), dividend yield of 0%, expected volatility of 100%, risk free interest rate of 2.00% and expected life of 3.88 years.

(iii) On May 16, 2022 and June 28, 2022, the Company granted stock options to certain directors of the Company to purchase up to 1,320,000 common shares of the Company, exercisable at a price of $0.39 (C$0.50) per share, of which 1/2 expires on May 16, 2026 and the remaining 1/2 expiring on June 28, 2026. These options will vest over the span of three years, with 1/2 to be vested on the first anniversary of the date of grant, 1/4 to be vested on the second anniversary of the date of grant, and the remaining 1/4 to be vested on the third anniversary of the date of grant.

The fair value of 660,000 stock options granted on May 16, 2022 was determined to be $81,269 using the Black-Scholes option pricing model with the following assumptions: stock price of $0.20 (C$0.26), dividend yield of 0%, expected volatility of 103.21%, risk free interest rate of 2.70% and expected life of 4 years.

The fair value of 660,000 stock options granted on June 28, 2022 was determined to be $67,009 using the Black-Scholes option pricing model with the following assumptions: stock price of $0.20 (C$0.26), dividend yield of 0%, expected volatility of 92.06%, risk free interest rate of 3.20% and expected life of 4 years.

During the three and six months ended June 30, 2022, the Company recorded share-based compensation expense of $154,702 and $295,754, respectively (three and six months ended June 30, 2021 - $nil) related to stock options.

The following table reflects the actual stock options issued and outstanding as of June 30, 2022:

Expiry Date	Exercise Price	Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Number of Options Unvested
April 30, 2025	$0.30	2.84	5,900,000	-	5,900,000
February 2, 2026	$0.39	3.60	1,650,000	-	1,650,000
May 16, 2026	$0.39	3.88	660,000	-	660,000
June 28, 2026	$0.39	4.00	660,000	-	660,000
	$0.33	**3.14**	**8,870,000**	**-**	**8,870,000**

(Expressed in United States Dollars) (Unaudited)

13. Warrants

The following table reflects the continuity of warrants for the periods ended June 30, 2022 and 2021:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2020 and June 30, 2021	**-**	**$ -**
Balance, December 31, 2021	**16,759,870**	**$ 0.90**
Granted in the Offering (Note 11(b)(ii))	26,450,000	0.55
Balance, June 30, 2022	**43,209,870**	**$ 0.68**

The following table reflects the actual warrants issued and outstanding as of June 30, 2022:

Number of Warrants	Exercise Price	Expiry Date
26,450,000	$ 0.54	February 2, 2024
16,759,870	$ 0.90	April 15, 2024
43,209,870	**$ 0.68**	

14. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties include key management personnel and may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are recorded at the exchange amount, being the amount agreed to between the related parties.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board of Directors.

Remuneration of key management personnel of the Company was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Management salaries (i)	**$ 235,053**	$ 58,125	**$ 381,193**	$ 58,125
Director fees (ii)	**47,864**	-	**95,864**	-
Share-based compensation (Note 12)	**108,001**	-	**230,274**	-
	$ 390,918	$ 58,125	**$ 707,331**	$ 58,125

(i) During the three and six months ended June 30, 2022, $192,875 and $300,098, respectively (three and six months ended June 30, 2021 - $58,125) was expensed as salaries and benefits, and $42,178 and $81,095, respectively (three and six months ended June 30, 2021 - $nil) was capitalized as exploration and evaluation costs.

(ii) During the three and six months ended June 30, 2022, $47,864 and $95,864, respectively (three and six months ended June 30, 2021 - $nil) was expensed as salaries and benefits.

(Expressed in United States Dollars) (Unaudited)

15. General and administrative

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Administrative expenses	**$ 212,552**	$ 90,964	**$ 399,169**	$ 101,868
Advertising and marketing	**3,327**	-	**804,851**	-
Contractor fees	**404,197**	31,106	**489,610**	57,728
Depreciation (Note 5)	**48,878**	45,346	**96,481**	90,691
Environmental fees	**36,221**	30,271	**65,386**	43,624
Equipment rental	**57,782**	1,825	**67,814**	15,575
Filing and listing fees	**19,303**	-	**270,122**	-
Insurance	**55,396**	275	**117,665**	1,108
Meals and entertainment	**34,304**	6,954	**55,831**	13,468
Operational expenses	**70,986**	16,191	**113,901**	39,079
Professional fees	**644,952**	15,279	**786,280**	29,282
Salaries and benefits (Note 14)	**426,805**	-	**717,111**	-
Travel expenses	**32,601**	2,544	**47,723**	3,805
	$ 2,047,304	$ 240,755	**$ 4,031,944**	$ 396,228

16. Segmented information

The Company operates in one reportable operating segment, being mineral exploration in Peru. The Company has an administrative office in Toronto, Canada.

17. Contingencies

The Company's exploration activities are subject to government laws and regulations, including tax laws and laws and regulations governing the protection of the environment. The Company believes that its operations comply in all material respects with all applicable past and present laws and regulations.

The Company records provisions for any identified obligations, based on management's estimate at the time. Such estimates are, however, subject to changes in laws and regulations. The Company records the fair value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation, and re-vegetation of affected areas.

The estimated fair value of a liability, and corresponding increase in the related property, is reported in the year in which it is incurred and when a reasonable estimate of fair value can be made. The fair value is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation transaction and, in the absence of observable market transactions, is determined as the present value of expected cash flows. The Company subsequently allocates the cost to expense using a systematic and rational method over its useful life and records the accretion of the liability as a charge to the consolidated statements of net and comprehensive loss.

As the Company has not commenced any mining operations and is currently waiting for the approval of its Mine Closure Plan by the Peruvian mining authorities, no provision for decommissioning has been recognized in these consolidated financial statements. Upon approval of the Company’s Mine Closure Plan, a provision for decommissioning will be recognized.

18. Subsequent events

On July 18, 2022, the Company’s Class A Common Shares commenced trading in the Lima Stock Exchange under the symbol BVL:AGMR.

On August 2, 2022, the Company's Class A Common Shares became eligible for electronic clearing and settlement through the Depository Trust Company (DTC) in the United States.

On August 15, 2022, the Company filed a preliminary short form base shelf prospectus with the securities regulatory authorities in all of the provinces and territories of Canada.