



**SILVER MOUNTAIN RESOURCES INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED**

**DECEMBER 31, 2022 AND 2021**

**(EXPRESSED IN UNITED STATES DOLLARS)**

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## Independent Auditor's Report

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To the Shareholders of Silver Mountain Resources Inc.

### Opinion

We have audited the consolidated financial statements of Silver Mountain Resources Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of net and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained 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 informing our opinion thereon, and we do not provide a separate opinion on these matters.

#### ***Assessment of impairment indicators on Exploration and Evaluation Assets ("E&E Assets")***

##### *Description of the key audit matter*

At each reporting date, management assesses the Company's E&E Assets for indicators of impairment in accordance with IFRS 6 *Exploration for and Evaluation of Mineral Resources*. This assessment involves judgment, including whether the rights to tenure for the areas of interest are current, and the Company's ability and intention to continue to evaluate and develop the area of interest. We have therefore considered this a Key Audit Matter due to the judgment involved in the assessment of indicators of impairment.

Please refer to Notes 2(j) to the consolidated financial statements for the Company's E&E Assets accounting policy and Note 3 which details the critical judgments used in assessing the impairment of E&E assets.



### *How the key audit matter was addressed in the audit*

Our audit procedures included but were not limited to:

- obtaining and reviewing management's assessment of impairment indicators under IFRS 6,
- obtaining an understanding of the current exploration program and any associated risks through discussions with management and review of technical reports,
- assessing that the Company's right to tenure for the areas of interest are current, which included obtaining supporting documentation and performing title search for the mining licenses,
- considering the Company's ability and intention to continue to evaluate the area of interest, which included performing an assessment of the Company's cash flow forecast models, discussions with management as to the intentions and strategy of the Company, and comparison of these to other audited information.

### **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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are



considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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  
April 20, 2023

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

	As at December 31, 2022	As at December 31, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 8,770,989	\$ 6,990,383
Restricted cash (Note 7)	241,597	-
Amounts receivable and other assets	79,760	40,054
Prepaid expenses	625,362	-
Deferred share issue costs (Note 14)	-	393,370
	<b>9,717,708</b>	<b>7,423,807</b>
<b>Non-current assets</b>		
Property, plant, and equipment (Note 8)	402,115	474,506
Exploration and evaluation costs (Note 9)	15,601,337	8,290,830
Prepaid expenses	51,597	-
Tax credits (Note 10)	1,978,394	713,791
<b>Total assets</b>	<b>\$ 27,751,151</b>	<b>\$ 16,902,934</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Amounts payable and other payables (Note 11)	\$ 2,143,215	\$ 720,547
Loan payable (Note 12)	-	1,279,713
	<b>2,143,215</b>	<b>2,000,260</b>
<b>Non-current liabilities</b>		
Loan payable (Note 12)	-	1,137,652
Warrant liabilities (Note 13)	488,201	-
<b>Total liabilities</b>	<b>2,631,416</b>	<b>3,137,912</b>
<b>Shareholders' equity</b>		
Share capital (Note 14)	34,286,247	18,301,457
Contributed surplus (Note 15)	746,040	113,995
Deficit	(9,912,552)	(4,650,430)
<b>Total shareholders' equity</b>	<b>25,119,735</b>	<b>13,765,022</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 27,751,151</b>	<b>\$ 16,902,934</b>

Contingencies (Note 23)  
Subsequent events (Note 24)

**Approved on behalf of the Board:**

"Blair Zaritsky", Director

"Alfredo Plenge Thorne", Director

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

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

	Year Ended December 31,	
	2022	2021
<b>Operating expenses</b>		
General and administrative (Note 21)	\$ 5,757,696	\$ 1,372,327
Extinguished mining rights (Note 9)	-	124,936
Share-based compensation (Notes 15 & 18)	<b>632,045</b>	113,995
<b>Operating loss before the following items</b>	<b>(6,389,741)</b>	(1,611,258)
Financial expenses (Note 19)	<b>(543,109)</b>	(411,452)
Foreign exchange loss	<b>(896,460)</b>	(120,450)
Realized gain on disposal of property, plant, and equipment	<b>4,452</b>	-
Unrealized gain on revaluation of warrant liabilities (Note 13)	<b>2,562,736</b>	-
<b>Net and comprehensive loss for the year</b>	<b>\$ (5,262,122)</b>	<b>\$ (2,143,160)</b>
<b>Basic and diluted loss per share</b> (Note 17)	<b>\$ (0.03)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b> (Note 17)	<b>181,637,120</b>	113,158,117

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

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

	Year Ended December 31,	
	2022	2021
<b>Operating activities</b>		
Net loss for the year	\$ (5,262,122)	\$ (2,143,160)
Items not affecting cash		
Depreciation	225,885	184,489
Unrealized foreign exchange loss	5,449	-
Realized gain on disposal of property, plant, and equipment	(4,452)	-
Unrealized gain on revaluation of warrant liabilities	(2,562,736)	-
Currency translation effect on revaluation of warrant liabilities	(76,541)	-
Accretion on Trafigura loan payable	519,099	313,102
Interest accrued on Trafigura loan	7,564	97,025
Share-based compensation	632,045	113,995
Extinguished mining rights	-	124,936
Changes in non-cash working capital items:		
Amounts receivable and other assets	(1,304,309)	(121,760)
Prepaid expenses	(676,959)	-
Amounts payable and other liabilities	(327,313)	66,548
<b>Net cash and cash equivalents used in operating activities</b>	<b>(8,824,390)</b>	<b>(1,364,825)</b>
<b>Investing activities</b>		
Deferred share issue costs	-	(186,417)
Exploration and evaluation cost additions	(5,411,421)	(1,046,829)
Purchase of mining concessions	(141,539)	(42,797)
Purchase of property, plant, and equipment	(168,608)	(23,401)
Proceeds from disposal of property, plant, and equipment	12,000	-
Restricted cash	(247,046)	-
<b>Net cash and cash equivalents used in investing activities</b>	<b>(5,956,614)</b>	<b>(1,299,444)</b>
<b>Financing activities</b>		
Proceeds from issuance of shares in IPO, net of costs (Note 14)	19,505,638	-
Repayment of Trafigura loan	(2,944,028)	(572,586)
Cash acquired in RTO Transaction (Note 6)	-	9,523,628
Cash advanced before the RTO Transaction (Note 6)	-	500,000
<b>Net cash and cash equivalents provided by financing activities</b>	<b>16,561,610</b>	<b>9,451,042</b>
<b>Net change in cash and cash equivalents</b>	<b>1,780,606</b>	<b>6,786,773</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>6,990,383</b>	<b>203,610</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,770,989</b>	<b>\$ 6,990,383</b>
<b>Composition of cash and cash equivalents:</b>		
Cash	\$ 8,701,457	\$ 6,954,441
Cash equivalents	69,532	35,942
	<b>\$ 8,770,989</b>	<b>\$ 6,990,383</b>
<b>Non-cash investing items not included in cash flows:</b>		
Depreciation capitalized to exploration and evaluation costs	\$ 7,566	\$ -
Deferred share issue cost accrued	-	206,953
Mineral exploration costs accrued	\$ 1,749,982	\$ 330,000

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



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

	Share Capital		Contributed Surplus	Deficit	Total
	Number	Amount			
<b>Balance, December 31, 2020</b>	<b>267,024,510</b>	<b>\$ 8,379,239</b>	<b>\$ -</b>	<b>\$ (2,507,270)</b>	<b>\$ 5,871,969</b>
Share adjustment for RTO (Note 6)	(192,024,620)	-	-	-	-
Shareholders' equity after RTO adjustment (Note 6)	74,999,890	8,379,239	-	(2,507,270)	5,871,969
Shares issued in RTO Transaction, net of costs (Note 6)	58,519,970	9,922,218	-	-	9,922,218
Share based compensation (Note 15)	-	-	113,995	-	113,995
Net loss for the year	-	-	-	(2,143,160)	(2,143,160)
<b>Balance, December 31, 2021</b>	<b>133,519,860</b>	<b>\$ 18,301,457</b>	<b>\$ 113,995</b>	<b>\$ (4,650,430)</b>	<b>\$ 13,765,022</b>
Shares issued in IPO, net of costs	52,900,000	15,984,790	-	-	15,984,790
Share based compensation (Note 15)	-	-	632,045	-	632,045
Net loss for the year	-	-	-	(5,262,122)	(5,262,122)
<b>Balance, December 31, 2022</b>	<b>186,419,860</b>	<b>\$ 34,286,247</b>	<b>\$ 746,040</b>	<b>\$ (9,912,552)</b>	<b>\$ 25,119,735</b>

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

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**Silver Mountain Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended December 31, 2022 and 2021**  
**(Expressed in United States Dollars)**

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**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 in the business of acquiring, exploring, and developing mines and mineral deposits; with the specific focus to develop the Castrovirreyna Project in Huancavelica, 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 26,450,000 warrants issued at the time of the Initial Public Offering, commenced trading on the TSXV on March 11, 2022 under the symbol "AGMR.WT".

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While management believes that the Company is adequately capitalized and while the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favorable terms.

These consolidated financial statements of the Company for the year ended December 31, 2022 were approved and authorized for issue by the Board of Directors on April 20, 2023.

**2. Significant accounting policies and basis of presentation**

*(a) Statement of compliance*

These consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards 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 ("IFRIC").

*(b) Basis of preparation*

These 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.

*(c) Basis of consolidation*

These 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 6). Pursuant to Peruvian General Corporate Law requirements that a Peruvian company have more than one shareholder, in September 2021, the Company issued 1 common share in AGMR Peru for PEN 1.00 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 consolidated financial statements.

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

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**Silver Mountain Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended December 31, 2022 and 2021**  
**(Expressed in United States Dollars)**

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

*(d) Foreign currency transactions*

Functional currency and presentation currency

To express its consolidated financial statements, the Company has determined its functional currency, based on the main economic environment where it operates, which fundamentally influences the determination of the prices of the goods and services it acquires. These consolidated financial statements are presented in U.S. dollars, which is in turn, the functional currency and the presentation currency of the Company and its subsidiary. All transactions are measured in the functional currency, and on the contrary, foreign currency is anything other than the functional currency.

Transactions and balances in foreign currency

Operations in foreign currency are recorded in U.S. dollars by applying the exchange rates on the day of the transaction. Balances as of December 31, 2022 and 2021 are valued at the year-end exchange rate. The exchange differences that are generated between the exchange rate recorded at the beginning of an operation and the settlement exchange rate of the operation or the year-end exchange rate are part of the financial income and expense items in the consolidated statements of net and comprehensive loss.

*(e) Classification and measurement of financial instruments*

Financial instruments are contracts that give rise simultaneously to a financial asset in one entity and a financial liability or a capital instrument in another. In the case of the Company, financial instruments correspond to primary instruments such as cash and cash equivalents, amounts receivable, loan payable, and amounts payable and other payables.

Financial assets

Financial assets on initial recognition are measured at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the asset.

An entity classifies financial assets as subsequently measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss. The classification depends on how an entity manages its financial assets according to its business model and the characteristics of the contractual cash flows that it expects to receive.

For the subsequent measurement of the Company's financial assets, the following sections (i) and (ii) are applicable:

*(i) Financial assets at amortized cost (debt instruments)*

The Company measures financial assets at amortized cost when it meets the following conditions:

- The objective of the business model is to maintain a financial asset to collect contractual cash flows; and
- According to the contract conditions, cash flows are received on specific dates that exclusively constitute payments of the principal plus interest on such principal.

The determination of the amortized cost for these financial assets is made using the effective interest rate method. These financial assets are subject to impairment. Gains and losses are recognized in the consolidated statements of net and comprehensive loss when the asset is written-off, modified, or impaired.

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**Silver Mountain Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended December 31, 2022 and 2021**  
**(Expressed in United States Dollars)**

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

(e) *Classification and measurement of financial instruments (continued)*

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

An entity measures a financial asset at fair value through profit or loss unless it cannot be measured at amortized cost or fair value through other comprehensive income.

Cash and cash equivalents are a financial asset because they represent a means of payment, and therefore, it is the basis on which all transactions are measured and recognized in the consolidated financial statements.

Changes in the fair value of these assets are recorded in the consolidated statements of net and comprehensive loss.

Financial liabilities

Financial liabilities on initial recognition are measured at fair value minus transaction costs directly attributable to the acquisition of the liability.

An entity classifies financial liabilities and measures them either at amortized cost or at fair value through profit or loss.

The determination of the amortized cost of financial liabilities is made using the effective interest rate method. Gains and losses are recognized in the consolidated statements of net and comprehensive loss.

(f) *Write-off of financial assets and liabilities*

Financial assets

A financial asset is written-off when: (i) the rights to receive cash flows from the asset have ended, or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay all of the cash flows received immediately to a third party under a transfer agreement, and (iii) the Company has transferred substantially all the risks and benefits of the asset or, failing to transfer or retain substantially all the risks and benefits of the asset if having transferred control.

Financial liabilities

A financial liability is written-off when the payment obligation is terminated, cancelled, or expires.

When an existing financial liability is replaced by another of the same borrower under significantly different conditions or the conditions are significantly modified, such replacement or modification is treated as a write-off of the original liability, the new liability is recognized, and the difference between the two is reflected in the profit or loss of the period in the item of financial income (expenses), as appropriate.

(g) *Impairment of financial assets*

The Company recognizes an allowance for expected credit losses for all debt instruments that are not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of maintained guarantees or other credit enhancements that are an integral part of the contractual terms.

For amounts receivable, the Company applies the general approach. The general approach defined in IFRS 9 is based on the analysis of the debtor's credit quality. Unlike IAS 39, it requires provisioning for Expected Credit Losses ("ECLs") before there is objective evidence of impairment.

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**Silver Mountain Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in United States Dollars)**

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

*(g) Impairment of financial assets (continued)*

The general approach is structured through 3 phases based on the degree of credit risk and the circumstance that there has been a significant increase in it.

Phase 1, for credit exposures, that at the reporting date there has not been a significant increase in credit risk, expected credit losses are recognized for events of default that are possible within the next 12 months (an expected credit loss of 12 months).

Phase 2, for those credit exposures for which there has been a significant increase in credit risk since initial recognition, an allowance for expected credit loss is required over the remaining life of the exposure, regardless of the time of default (an expected lifetime credit loss).

Phase 3, for those credit exposures for which there has been a significant increase in credit risk since initial recognition, an allowance for expected credit loss is required over the remaining life of the exposure on a net interest basis, regardless of the time of default (an expected lifetime credit loss).

*(h) Property, plant, and equipment, and accumulated depreciation*

Property, plant, and equipment are presented at acquisition cost minus accumulated depreciation and, if any, the accumulated amount of impairment losses. The depreciation of property, plant, and equipment is calculated following the straight-line method based on their estimated useful life minus their residual values, as follows:

	<u>Useful life</u>
Building and facilities	5 and 20 years
Mining equipment	5 years
Office equipment and furniture	4 to 10 years
Leased equipment	5 years

The historical acquisition cost includes the disbursements directly attributable to the acquisition of the assets. Maintenance and minor repairs are recognized as expenses as incurred. The useful life, residual values, and the depreciation method are periodically reviewed to ensure that the depreciation method and period are consistent with the expected pattern of future economic benefits. Subsequent disbursements and major renovations are recognized as assets when it is probable that the Company will obtain future economic benefits derived from them, and their cost can be reliably valued.

By selling or retiring the property, plant, and equipment, the Company eliminates the cost and the corresponding accumulated depreciation. Any gain or loss resulting from their disposal is included in the consolidated statements of net and comprehensive loss.

*(i) Exploration and evaluation costs*

Mining concessions are recorded at acquisition cost and are not amortized until the start of their exploitation, and as long as the mineral reserves offer expectations of future production. If these expectations are not offered, they will be recognized as expenses in the profit or loss of the year.

Disbursements for exploration and evaluation of mineral resources are recognized at cost and are amortized from the beginning of the exploitation of the deposit, during the term of useful life that is estimated for it.

Exploration and evaluation costs are subject to periodic review for impairment when events or changes in circumstances indicate the project's carrying value may not be recoverable.

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**Silver Mountain Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in United States Dollars)**

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

*(j) Impairment of non-financial assets*

The carrying amount of the Company's property, plant and equipment are periodically reviewed to determine if there is impairment when circumstances arise that indicate that the carrying amount may not be recoverable. If there are signs of impairment, the Company estimates the recoverable amount of the assets and recognizes an impairment loss in the consolidated statements of net and comprehensive loss if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. The value in use is the present value of the estimated future cash flows that will result from the continuous use of an asset and its disposal at the end of its useful life. Recoverable amounts are estimated for each asset or, if not possible, for the smallest cash-generating unit identified. If there is a decrease in impairment losses determined in previous years, an income is recorded in the consolidated statements of net and comprehensive loss.

*(k) Leases*

At inception of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use asset and lease liability is recognized at the lease commencement date. The right-of-use is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. If the rate cannot be readily determined, the Company's incremental rate of borrowing is used. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

If a right-of-use asset is re-leased, the corresponding right-of-use asset is derecognized and an investment asset is recorded at the present value of the lease income not paid at the commencement date discounted using the implicit rate in the lease or the Company's incremental rate of borrowing.

As is permitted under IFRS16, the Company has elected not to recognize right-of-use assets and lease liabilities for leases for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

*(l) Provisions*

A provision is recognized only when the Company has any present obligation (legal or implicit) because of a past event, an outflow of resources will probably be required for its settlement, and a reliable allowance can be made of the amount of the obligation. Provisions are periodically reviewed and adjusted to reflect the best allowance available at the date of the consolidated statements of financial position. The expense related to a provision is shown in the consolidated statements of net and comprehensive loss.

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

*(m) Decommissioning or restoration provision*

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.

*(n) Classification of items into current and non-current*

The Company presents assets and liabilities in the consolidated statements of financial position, classified as current and non-current. An asset is classified as current when the Company:

- Expects to realize the asset or intend to sell or consume it in its normal operating cycle;
- Holds the asset primarily for trading purposes;
- Expects to carry out the asset within twelve months of the reporting period; or
- The asset is cash unless it is restricted and cannot be exchanged or used to cancel a liability for a minimum period of twelve months following the reporting period.

All other assets are classified as non-current.

A liability is classified as current when the Company:

- Expects to settle the liability in its normal operating cycle;
- Holds liabilities primarily for trading purposes;
- The liability must be settled within the twelve months following the reporting period; or
- There is no unconditional right to postpone the liability settlement for at least the twelve months following the reporting period.

All other liabilities are classified as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities in all cases.

*(o) Share capital*

If the completion of a share equity transaction is considered likely, professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed; otherwise, they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

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

*(o) Share capital (continued)*

Unit offerings

The Company follows the residual value method to allocate proceeds in unit offerings to the common share and warrant component, where both components are considered equity items. Under the residual value method, unit offering proceeds are allocated first to share capital up to the fair value of the common share with the residual amount of proceeds, if any, allocated to the reserve for warrants. If and when the warrants are exercised, consideration paid by the warrant holder, together with the amount previously recognized in warrant reserve, is recorded as an increase to share capital.

*(p) Share based compensation transactions*

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

The fair value of share-based compensations to non-employees and other share-based compensations are based on the fair value of the goods or services received. If the Company cannot estimate reliably the fair value of the goods or services received, the Company is required to measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted at the date the Company receives the goods or services.

If and when the stock options are exercised, the applicable fair values are transferred from contributed surplus to share capital. When vested options are forfeited or not exercised at the expiry date, the amount previously recognized in share-based compensations is revised from contributed surplus to deficit.

*(q) 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.

*(r) Recognition of interest income, foreign exchange differences, and other income*

Interest income is recognized based on the proportion of time elapsed, using the effective interest method.

Foreign exchange differences corresponding to the adjustment of monetary items represented in foreign currency favorable for the Company are recognized in the consolidated statements of net and comprehensive loss when the foreign exchange rate fluctuates.

Other income is recognized as they accrue.



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

*(s) Recognition of interest expenses, foreign exchange differences, and other expenses*

Interest expense is recognized in proportion to the time elapsed to reflect the effective cost of the financial instrument.

Foreign exchange differences corresponding to the adjustment of monetary items represented in foreign currency unfavorable for the Company are recognized in the consolidated statements of net and comprehensive loss when the foreign exchange rate fluctuates.

Other expenses are recognized as they accrue.

*(t) Income tax*

Income tax includes a current and deferred component.

Current

The current income tax is considered as the amount payable to the tax authority. It is calculated based on the taxable income determined for tax purposes.

Deferred

Deferred income tax is calculated using the balance sheet liability method, which consists of determining the temporary differences between financial and tax assets and liabilities and applying the income tax rate to those differences.

Deferred tax assets are recognized for all deductible differences and tax loss carry forward, to the extent that it is probable that there is taxable profit against which temporary deductible differences can be compensated, and any carried forward tax loss can be used.

Deferred tax liabilities are recognized for all temporary taxable differences, in which the timing of reversals of temporary differences can be controlled, and it is probable that temporary differences will not be reversed in the foreseeable future.

The carrying amount of the deferred tax asset is reviewed on each date of the consolidated statements of financial position and is reduced to the extent that it is unlikely that there is sufficient taxable profit against which all or part of the deferred tax asset to be used can be compensated. Unrecognized deferred tax assets are revalued on each date of the consolidated statements of financial position and are recognized to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are recognized regardless of the moment when it is estimated that the temporary differences are annulled.

Deferred tax assets and liabilities are measured at the legal rates expected to be applied in the year in which the asset is realized, or the liability is liquidated, based on the rates that have been promulgated or substantially promulgated on the date of the consolidated statements of financial position.

Deferred tax assets and liabilities are compensated if there is a legal right to compensate current taxes against current liabilities, and deferred taxes relate to the same entity and the same tax authority.

Uncertain tax positions

The Company assesses at each consolidated financial statement closing whether each uncertain tax treatment is considered separately or together with one or more uncertain tax treatment and uses the approach that best predicts the resolution of the uncertainty. The Company applies significant judgment when identifying uncertainties about income tax treatments.

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**Silver Mountain Resources Inc.**  
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**2. Significant accounting policies and basis of presentation (continued)**

*(u) Contingencies*

Contingencies are assets or liabilities that arise due to past events, the existence of which will be confirmed only if future events occur that are not entirely under the control of the Company.

Contingent assets are not recorded in the consolidated financial statements but are disclosed in notes to the consolidated financial statements when their degree of contingency is probable.

Contingent liabilities are not recorded in the consolidated financial statements and are disclosed in notes to the consolidated financial statements only when there is a possible obligation.

*(v) Loss per share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

*(w) New accounting standards in force*

The standards that became effective in 2022 and apply to the Company are summarized below but did not affect the consolidated financial statements.

Property, Plant, and Equipment: Product before Intended Use - Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment: Product Before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant, and equipment, any proceeds from the sale of items produced while bringing that asset to the location and condition necessary for it to operate in the manner intended by management. Instead, an entity recognizes the proceeds from the sale of those items and the costs of producing them, in profit or loss.

Onerous contracts - Costs of fulfilling a contract - Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify what costs an entity should include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach.” Costs directly related to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs are not directly related to a contract and are excluded unless explicitly attributable to the counterparty under the contract.

IFRS 9 Financial Instruments: Fees in the “10 percent” test for the write-off of financial liabilities

As part of its 2018-2020 annual improvement process to IFRS standards, the IASB issued an amendment to IFRS 9. The amendment clarifies the rates that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower or the lender, including the fees paid or received by the borrower or the lender on behalf of the other. An entity applies the modification to financial liabilities modified or exchanged on or after the beginning of the annual period in which the entity first applies the modification.

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

(x) *Future accounting pronouncements*

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.

Amendments to IAS 1: Classification of liabilities as current or non-current

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. The extent of the impact of adoption of this amendment has not yet been determined.

**3. Critical accounting estimates and judgments**

The preparation of these consolidated financial statements in accordance with IFRS requires that management carry out estimates and judgments to determine the balances of assets, liabilities, income and expenses, the number of contingencies, and the exposure of significant events in notes to the consolidated financial statements.

Accounting estimates, by definition, will seldom equal the respective actual results. In management's opinion, these estimates were made based on its better knowledge of the relevant events and circumstances at the date of preparation of the consolidated financial statements. However, the final results may differ from the estimates included in the consolidated financial statements. Management does not expect that the variations will have a material effect on the consolidated financial statements, if any.

If these estimates and judgments vary in the future due to changes in the assumptions that supported them, the corresponding balances of the consolidated financial statements will be corrected on the date on which the change in estimates and judgments occurs.

Critical accounting estimates

The estimates and assumptions that have a risk of causing adjustments to the balances of reported assets and liabilities are presented below:

- *Taxes:*  
The determination of the obligations and expenses for taxes requires interpretations of the applicable tax legislation. The Company has professional advice on tax matters to make any decision on tax matters. Even when management considers that its estimates in tax matters are prudent and conservative, discrepancies may arise with the tax administration in interpreting standards that require tax adjustments in the future.

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**3. Critical accounting estimates and judgments (continued)**

Critical accounting estimates (continued)

- *Review of carrying amounts and allowance for impairment of non-financial assets:*  
The Company assesses on an annual basis whether a permanent asset requires an impairment allowance in accordance with the accounting policy outlined in Note 2(j). This determination requires the use of professional judgment by management to analyze the impairment indicators and the determination of value-in-use.

In the latter case, the application of judgment is required in the preparation of future cash flows that includes the projection of the level of future operations of the Company, projection of economic factors that affect its income and costs, as well as the determination of the discount rate to be used in this cash flow.

As a consequence of evaluating the internal and external indicators that could indicate impairment, the Company concluded that there are not sufficient indications that require the execution of an impairment test of property, plant, and equipment, and exploration and evaluation costs.

- *Share-based compensation:*  
Management determines costs for share-based compensations using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.
- *Provision on tax credits receivable:*  
Determining an allowance for expected credit losses requires management to make assumptions about the Company's ability to generate future revenue from mining operations, historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses.

Critical judgments in the application of accounting policies

- The categorization of financial assets and liabilities and functional currency determination are accounting policies that require management to make judgments or assessments.
- Management's judgment is used in determining the eligible expenditures used in the recognition of tax credits receivable.
- Management's judgment is used in determining if there are decommissioning and restoration costs.
- Significant judgments are used in management's assessment of the Company's ability to continue as a going concern as described in Note 1.

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**4. Financial Instruments**

Accounting standards define a financial instrument as any financial asset and liability of a company, considering as such cash, accounts receivable, and accounts payable, among others.

In the opinion of management, the fair value of its financial instruments is not significantly different from their respective carrying amounts as at December 31, 2022 and 2021. Therefore, the disclosure of such information does not affect the consolidated financial statements on those dates.

The following are the amounts of financial assets and liabilities in the consolidated statements of financial position, classified by category:

	As at December 31, 2022			As at December 31, 2021		
	At fair value through profit or loss	At amortized cost	Total	At fair value through profit or loss	At amortized cost	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 8,770,989	\$ -	\$ 8,770,989	\$ 6,990,383	\$ -	\$ 6,990,383
Amounts receivable and other assets	-	79,760	79,760	-	40,054	40,054
	<b>\$ 8,770,989</b>	<b>\$ 79,760</b>	<b>\$ 8,850,749</b>	<b>\$ 6,990,383</b>	<b>\$ 40,054</b>	<b>\$ 7,030,437</b>
<b>LIABILITIES</b>						
Amounts payable and other payables	\$ -	\$ 2,143,215	\$ 2,143,215	\$ -	\$ 720,547	\$ 720,547
Loan payable	-	-	-	-	2,417,365	2,417,365
Warrant liabilities	488,201	-	488,201	-	-	-
	<b>\$ 488,201</b>	<b>\$ 2,143,215</b>	<b>\$ 2,631,416</b>	<b>\$ -</b>	<b>\$ 3,137,912</b>	<b>\$ 3,137,912</b>

(a) Fair value hierarchy

To increase the consistency and comparability of fair value measurements, a fair value hierarchy has been established that classifies the input data of valuation techniques used to measure fair value into three levels:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and will be used without adjustment to measure fair value whenever available; and

Level 2: The information is different from the quoted prices included in Level 1. Other techniques are used by which all the data that have a significant effect on the registered fair value are either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable; and

Level 3: Techniques that use data that are not based on observable market data (unobservable inputs) and significantly affect fair value.

The carrying amount of cash and cash equivalents corresponds to its fair value. The Company considers that the carrying amount of amounts receivable and amounts payable and other payables is similar to their fair values due to their maturity in the short-term. The fair value of loan payable approximates the carrying amount at amortized cost using the effective interest method. As at December 31, 2022, the Company did not hold financial instruments recorded at fair value that would require classification within the fair value hierarchy, except for warrant liabilities (Level 1).

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**4. Financial Instruments (continued)**

(b) Risk management policies

The Company's activities expose it to a variety of financial risks. The main risks that may adversely affect the Company's financial assets and liabilities, as well as its future cash flows, are liquidity, credit, interest, and exchange rates. The Company's risk management program tries to minimize potential adverse effects. Management is aware of the existing market conditions and, based on its knowledge and experience, reviews, agrees, and controls risks, following the policies approved by the Board of Directors.

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

(c) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company controls the required liquidity through proper management of the maturities of assets and liabilities in such a way as to achieve a match between the flow of financing, future income, and future payments. The liquidity risk was previously covered by the loan payable.

The following table shows the maturities of financial liabilities at their nominal value:

<b>As at December 31, 2022</b>	<b>Less than one year</b>	<b>More than one year</b>	<b>Total</b>
Amounts payable and other payables	<b>\$ 2,143,215</b>	<b>\$ -</b>	<b>\$ 2,143,215</b>
<b>As at December 31, 2021</b>	<b>Less than one year</b>	<b>More than one year</b>	<b>Total</b>
Amounts payable and other payables	\$ 720,547	\$ -	\$ 720,547
Loan payable	1,048,437	1,919,506	2,967,943
	<b>\$ 1,768,984</b>	<b>\$ 1,919,506</b>	<b>\$ 3,688,490</b>

(d) Credit risk

The Company's financial assets potentially exposed to concentrations of credit risk consist mainly of bank deposits, amounts receivable and tax credits receivable. The Company reduces the probability of significant concentrations of credit risk because it maintains its deposits and places its cash investments in well-established financial institutions and limits the amount of exposure to credit risk in any of the financial institutions. The Company also believes that the risk of loss related to amounts receivable and tax credits receivable is minimal.

(e) Interest risk

The Company's exposure to this risk is due to changes in interest rates on its financial liabilities.

The Company does not have a formal policy to determine how much of its exposure should be at a fixed rate or a variable rate. However, when assuming new loans or indebtedness, management exercises its criteria to decide whether a fixed or variable rate would be more favorable for the Company for a period of time until it becomes due.

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**4. Financial Instruments (continued)**

(e) Interest risk (continued)

The following shows the sensitivity of the consolidated statements of net and comprehensive loss for the possible effect of changes in the variable interest rate on financial expenses for one year, before income tax, assuming that financial liabilities as of December 31, 2022 and 2021, were renewed at the end and will be maintained for the remainder of the following year:

Changes in basis points	<u>Effect on net and comprehensive loss</u>	
	Year Ended December 31,	
	2022	2021
+ (-) 100	\$ -	\$ (18,460)
+ (-) 200	\$ -	\$ (36,921)

The interest rate sensitivities shown in the table above are illustrative only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in the net financial expense based on the projected scenarios of the yield curve and the interest rate risk profile that the Company currently has.

However, this effect does not include the actions taken by management to mitigate the impact of this risk on interest rates.

(f) Exchange risk

Most transactions are made in U.S. dollars. Exposure to exchange rates comes from some supplier invoices and amounts receivable in Soles, and cash and cash equivalents balances in Canadian dollars. In the consolidated statements of financial position, these items are presented at the end-of-period exchange rate.

To mitigate exposure to foreign exchange risk, cash flows denominated in non-functional currencies are continually reviewed. In general, when the amounts to be paid for purchases in Soles exceed the amount available in that currency, a currency exchange operation is carried out.

Operations in foreign currencies are carried out at the available spot exchange rates. The Company has exposure to Peruvian Soles and Canadian dollars.

The financial assets and liabilities in Soles and Canadian dollars are as follows:

	As at December 31, 2022	As at December 31, 2021
Cash and cash equivalents	\$ 5,919,217	\$ 350,285
Amounts receivable and other assets	79,760	15,398
Prepaid expenses	6,194	-
Amounts payable and other payables	(1,312,507)	(604,741)
Warrant liabilities	(488,201)	-
<b>Net liabilities</b>	<b>\$ 4,204,463</b>	<b>\$ (239,058)</b>

As of December 31, 2022 and 2021, management has decided to assume the exchange risk generated by this position. Therefore, it has not carried out hedging operations with derivative products. During the year ended December 31, 2022, the Company recorded a net foreign exchange difference loss of \$896,460 (year ended December 31, 2021 - \$120,450).

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**4. Financial Instruments (continued)**

(f) Exchange risk (continued)

A sensitivity analysis of the profit or loss for the years ended December 31, 2022 and 2021 has been carried out with respect to the effect of a reasonably possible variation in the exchange rate of the Sol and Canadian dollars on financial assets and liabilities denominated in that currency, considering that all other variables will remain constant. If the Sol and Canadian dollars exchange rate had increased or decreased with respect to the functional currency according to the percentages in the table below, these would have been the effects on the Company's loss before income tax:

Year Ended December 31, 2022		Year Ended December 31, 2021	
Percentage change in exchange rate	Effect on profit or loss for the year	Percentage change in exchange rate	Effect on profit or loss for the year
+ 5	\$ 210,223	+ 5	\$ 24,163
- 5	\$ (210,223)	- 5	\$ (24,163)

**5. Capital management**

For capital management purposes, the Company includes shareholders' equity and cash and cash equivalents in the definition of capital. The objective is to safeguard the Company's ability to continue as an ongoing business to provide returns to its shareholders and benefits for stakeholders and to maintain an optimal structure that reduces the cost of capital. There have been no changes in objectives, policies, or procedures during the years ended December 31, 2022 and 2021.

**6. Reverse takeover**

On May 7, 2021, there was an RTO Transaction between 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 payment 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 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 fair value allocation to identifiable net assets acquired.

**Consideration**

Fair value of 58,519,970 common shares of AGMR <sup>(1)</sup> **\$ 9,922,218**

**Net assets acquired**

Cash	<b>\$ 9,523,628</b>
Cash advanced before RTO Transaction	<b>500,000</b>
Accounts payable and accrued liabilities	<b>(101,410)</b>
	<b>\$ 9,922,218</b>



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**6. Reverse takeover (continued)**

(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.

**7. Restricted cash**

Restricted cash account of \$241,597 (PEN 920,000) (December 31, 2021 - \$nil) represents a cash deposit 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 until the Mine Closure Plan (which the MINEM is currently reviewing) is approved. The cash deposit will be returned to AGMR Peru's operating accounts following the approval of the Mine Closure Plan.

**8. Property, plant, and equipment**

Cost	Land	Building and facilities	Mining equipment	Office equipment and furniture	Leased equipment	Total
<b>Balance, December 31, 2020</b>	\$ 36,041	\$ 151,544	\$ 776,039	\$ 36,310	\$ 28,305	\$ 1,028,239
Additions	-	-	13,300	10,101	-	23,401
<b>Balance, December 31, 2021</b>	36,041	151,544	789,339	46,411	28,305	1,051,640
Additions	-	-	38,678	129,930	-	168,608
Disposals	-	-	-	-	(28,305)	(28,305)
<b>Balance, December 31, 2022</b>	\$ 36,041	\$ 151,544	\$ 828,017	\$ 176,341	\$ -	\$ 1,191,943

**Accumulated depreciation**

<b>Balance, December 31, 2020</b>	\$ -	\$ 18,274	\$ 350,075	\$ 11,087	\$ 13,209	\$ 392,645
Depreciation expense	-	16,609	155,650	6,569	5,661	184,489
<b>Balance, December 31, 2021</b>	-	34,883	505,725	17,656	18,870	577,134
Depreciation expense	-	16,609	194,800	20,155	1,887	233,451
Disposals	-	-	-	-	(20,757)	(20,757)
<b>Balance, December 31, 2022</b>	\$ -	\$ 51,492	\$ 700,525	\$ 37,811	\$ -	\$ 789,828

**Carrying value**

<b>Balance, December 31, 2021</b>	\$ 36,041	\$ 116,661	\$ 283,614	\$ 28,755	\$ 9,435	\$ 474,506
<b>Balance, December 31, 2022</b>	\$ 36,041	\$ 100,052	\$ 127,492	\$ 138,530	\$ -	\$ 402,115

<b>Depreciation Rates</b>	-	5% - 20%	20%	10%	25%	-
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**9. Exploration and evaluation costs**

In 2018, 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 that same year, 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 acquisition of the project 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 12. This acquisition date fair value was allocated based on the relative fair values of the acquired mining concessions and mining property plant and equipment.

**Reliquias**

Since the acquisition of the Project, AGMR Peru has conducted exploration work that consisted of geological mapping, surface rock chip sampling, 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 working to obtain the required drill permits to expand exploration work on brownfield targets in the vicinity of Reliquias. Between April and December 2022, AGMR conducted an underground drilling program for a total of 16,955 m. Simultaneously, an extensive underground channel sampling program was conducted, which together with the drilling and other exploration activities is aimed at converting current historical resources into NI 43-101 compliant resources. Underground rehabilitation of historic mine workings and detailed topographic surveys have started to expand the Company's knowledge of the Reliquias underground mine and provide access to other prospective vein structures.

**Dorita**

At the Dorita block of properties, exploration work consisted of more than 14 km<sup>2</sup> of geological mapping, extensive rock and soil sampling programs, and preparation of the most promising geological targets for future drilling. Additionally, the Company has conducted underground channel sampling activities at accessible mine workings. The Dorita property block includes mining concessions that contain historic small scale underground operations in veins with polymetallic ore. Previous exploitation activities were carried out under the ownership of CMC; however, these operations were suspended in the late 1980s. AGMR is working to obtain the required permits to expand its exploration activities in this area, including geophysical surveys and drilling.

**El Milagro**

The Company's El Milagro project is characterized by Ag-Pb-Zn mineralization in veins and replacement bodies. Historically, the area has seen diamond drilling, underground development and rock sampling. A review of the property in 2022 led to the completion of a NI 43-101 compliant technical report, identifying historical resources in the central property of the project.

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**9. Exploration and evaluation costs (continued)**

	As at December 31, 2022			As at December 31, 2021		
	Acquisition Costs	Exploration Costs	Total	Acquisition Costs	Exploration Costs	Total
Reliquias	\$ 2,753,900	\$ 8,632,836	\$11,386,736	\$ 2,664,405	\$ 2,492,239	\$ 5,156,644
Greenfield - Dorita	1,384,500	2,139,881	3,524,381	1,335,581	1,224,401	2,559,982
Other	385,849	304,371	690,220	382,724	191,480	574,204
	<b>\$ 4,524,249</b>	<b>\$11,077,088</b>	<b>\$15,601,337</b>	<b>\$ 4,382,710</b>	<b>\$ 3,908,120</b>	<b>\$ 8,290,830</b>

	Reliquias	Greenfield - Dorita	Other	Total
<b>Balance, December 31, 2020</b>	<b>\$ 4,474,419</b>	<b>\$ 1,975,609</b>	<b>\$ 546,112</b>	<b>\$ 6,996,140</b>
<b>Exploration costs</b>				
General on-site expenses	48,939	93,995	-	142,934
Geology	82,247	13,906	-	96,153
Environmental fees	127,900	-	-	127,900
Outsourced geological studies	110,326	137,494	-	247,820
Right of use	364,520	302,278	19,938	686,736
Salaries and benefits	33,630	41,656	-	75,286
	767,562	589,329	19,938	1,376,829
<b>Acquisition costs</b>				
Mining rights	23,496	11,556	7,745	42,797
Extinguished rights (i)	(108,833)	(16,512)	409	(124,936)
<b>Balance, December 31, 2021</b>	<b>\$ 5,156,644</b>	<b>\$ 2,559,982</b>	<b>\$ 574,204</b>	<b>\$ 8,290,830</b>
<b>Exploration costs</b>				
Depreciation (Note 8)	7,566	-	-	7,566
Drilling	1,908,266	-	-	1,908,266
Mine rehabilitation	1,042,719	-	56,128	1,098,847
General on-site expenses	1,470,829	187,623	30,219	1,688,671
Geological mapping, sampling & other	524,493	305,099	-	829,592
Right of use	344,232	212,347	16,998	573,577
Salaries and benefits (Note 18)	401,964	147,416	9,546	558,926
Topography and geophysics	195,765	42,393	-	238,158
Complementary environmental services	244,763	20,602	-	265,365
	6,140,597	915,480	112,891	7,168,968
<b>Acquisition costs</b>				
Mining rights	89,495	48,919	3,125	141,539
<b>Balance, December 31, 2022</b>	<b>\$ 11,386,736</b>	<b>\$ 3,524,381</b>	<b>\$ 690,220</b>	<b>\$ 15,601,337</b>

- (i) The Company decided to withdraw six mining concessions in Reliquias (3,000 ha) and five mining concessions in Dorita (4,600 ha) totaling eleven mining concessions (7,600 ha) that had minimal or non-geological potential. The local authorities confirmed the withdrawal by the end of 2021.

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**10. Tax credits**

As of December 31, 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 \$1,978,394 (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.

**11. Amounts payable and other payables**

	<b>As at December 31, 2022</b>	<b>As at December 31, 2021</b>
Trade accounts payable	\$ 1,604,705	\$ 154,800
Taxes payable	26,702	10,875
Accrued liabilities	467,959	536,953
Other amounts payable	43,849	17,919
	<b>\$ 2,143,215</b>	<b>\$ 720,547</b>

**12. Loan payable**

As of the date of these financial statements, AGMR does not have any outstanding loans.

On May 6, 2018, 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 8), and mining concessions (Note 9)) from CMC in liquidation.

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 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 1,000 tons per day ("tpd"). 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, 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.

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**12. 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 was 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.

The assets acquired under this loan arrangement maintained 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.

During the year ended December 31, 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 December 31, 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
	<b>\$ -</b>	<b>\$ 2,417,365</b>

**13. Warrant liabilities**

	As at December 31, 2022	As at December 31, 2021
<b>Balance, beginning of year</b>	\$ -	\$ -
Issuance of warrants (Note 14)	3,127,478	-
Unrealized gain on revaluation	(2,562,736)	-
Currency translation effect	(76,541)	-
<b>Balance, end of year</b>	<b>\$ 488,201</b>	<b>\$ -</b>

The fair value of the warrants upon issuance was determined to be \$3,127,478 using the Black-Scholes option pricing model (Note 14). 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 December 31, 2022, the warrants were trading at a price of C\$0.025. Of the \$2,060,336 of costs incurred in connection with the IPO, \$308,844 were allocated to the warrant liabilities and included in general and administrative expenses in the statement of net and comprehensive loss for the year ended December 31, 2022.

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**14. 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 consolidated financial statements and notes has been adjusted to reflect this share split retrospectively.
- (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 6.

**15. 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 years ended December 31, 2022 and 2021:

	Number of stock options	Weighted average exercise price
<b>Balance, December 31, 2020</b>	-	\$ -
Granted (i)	5,900,000	0.30
<b>Balance, December 31, 2021</b>	<b>5,900,000</b>	<b>\$ 0.30</b>
Granted (ii)(iii)(iv)(v)	9,090,000	0.33
Forfeited (i)(ii)	(1,160,000)	0.35
<b>Balance, December 31, 2022</b>	<b>13,830,000</b>	<b>\$ 0.31</b>

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**15. Stock options (continued)**

- (i) On September 17, 2021, the Company granted stock options to certain directors and officers of the Company and its subsidiaries to purchase up to 5,900,000 common shares of the Company, exercisable at a price of \$0.30 per share and expiring on April 30, 2025. These options will vest over the span of three years, with 2,950,000 to be vested on the first anniversary of the date of grant, 1,475,000 to be vested on the second anniversary of the date of grant, and the remaining 1,475,000 to be vested on the third anniversary of the date of grant. On November 1, 2022, 500,000 of the stock options were forfeited.

The fair value was determined to be \$559,497 using the Black-Scholes option pricing model with the following assumptions: stock price of \$0.169, dividend yield of 0%, expected volatility of 100%, risk free interest rate of 0.84% and expected life of 3.62 years.

- (ii) 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. On May 13, 2022, 660,000 of the stock options were forfeited.

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.

- (iii) 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.

- (iv) 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 \$0.19 (C\$0.25), dividend yield of 0%, expected volatility of 92.06%, risk free interest rate of 3.20% and expected life of 4 years.

- (v) On December 1, 2022, the Company granted stock options to certain directors, officers and employees of the Company to purchase up to 5,460,000 common shares of the Company, exercisable at a price of \$0.28 (C\$0.38) per share and expiring on December 1, 2026. These options will vest over the span of three years, with 2,730,000 to be vested on the first anniversary of the date of grant, 1,365,000 to be vested on the second anniversary of the date of grant, and the remaining 1,365,000 to be vested on the third anniversary of the date of grant.

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**15. Stock options (continued)**

(v) (continued)

The fair value was determined to be \$1,141,697 using the Black-Scholes option pricing model with the following assumptions: stock price of \$0.28 (C\$0.37), dividend yield of 0%, expected volatility of 114.23%, risk free interest rate of 3.22% and expected life of 4 years.

During the year ended December 31, 2022, the Company recorded share-based compensation expense of \$632,045 (year ended December 31, 2021 - \$113,995) related to stock options.

The following table reflects the actual stock options issued and outstanding as of December 31, 2022:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Remaining Contractual Life (years)</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Vested (exercisable)</b>	<b>Number of Options Unvested</b>
April 30, 2025	\$0.30	2.33	5,400,000	2,700,000	2,700,000
February 2, 2026	\$0.37	3.09	1,650,000	-	1,650,000
May 16, 2026	\$0.37	3.38	660,000	-	660,000
June 28, 2026	\$0.37	3.49	660,000	-	660,000
December 1, 2026	\$0.28	3.92	5,460,000	-	5,460,000
	<b>\$0.31</b>	<b>3.15</b>	<b>13,830,000</b>	<b>2,700,000</b>	<b>11,130,000</b>

The following table reflects the actual stock options issued and outstanding as of December 31, 2021:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Remaining Contractual Life (years)</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Vested (exercisable)</b>	<b>Number of Options Unvested</b>
April 30, 2025	\$0.30	3.33	5,900,000	-	5,900,000

**16. Warrants**

The following table reflects the continuity of warrants for the years ended December 31, 2022 and 2021:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
<b>Balance, December 31, 2020</b>	-	\$ -
Acquired in RTO Transaction (Note 6)	16,759,870	0.90
<b>Balance, December 31, 2021</b>	<b>16,759,870</b>	<b>\$ 0.90</b>
Granted in the Offering (Note 14(b)(ii))	26,450,000	0.55
<b>Balance, December 31, 2022</b>	<b>43,209,870</b>	<b>\$ 0.67</b>

The following table reflects the actual warrants issued and outstanding as of December 31, 2022:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
26,450,000	\$ 0.52	February 2, 2024
16,759,870	\$ 0.90	April 15, 2024
<b>43,209,870</b>	<b>\$ 0.67</b>	



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**17. Net loss per common share**

The calculation of basic and diluted loss per share for the year ended December 31, 2022 was based on the loss attributable to common shareholders of \$5,262,122 (year ended December 31, 2021 - \$2,143,160) and the weighted average number of basic common shares outstanding of 181,637,120 for the year ended December 31, 2022 (year ended December 31, 2021 - 113,158,117). Diluted loss per share did not include the effect of 57,039,870 stock options and warrants (year ended December 31, 2021 - 22,659,870 stock options and warrants) as they are anti-dilutive.

**18. 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:

	Year Ended December 31,	
	2022	2021
Management salaries (i)	\$ 782,370	\$ 370,983
Director and chair fees (ii)	278,864	-
Share-based compensation (Note 15)	464,202	101,243
	<b>\$ 1,525,436</b>	<b>\$ 472,226</b>

(i) During the year ended December 31, 2022, management salaries of \$568,922 (year ended December 31, 2021 - \$297,648) were expensed as salaries and benefits, and \$213,448 (year ended December 31, 2021 - \$73,335) were capitalized as exploration and evaluation costs.

(ii) During the year ended December 31, 2022, director and chair fees of \$278,864 (year ended December 31, 2021 - \$nil) were expensed as salaries and benefits.

**19. Financial expenses**

	Year Ended December 31,	
	2022	2021
Bank charges	\$ 16,934	\$ 3,753
Interest expense	7,076	94,597
Accretion on Trafigura loan payable (Note 12)	519,099	313,102
	<b>\$ 543,109</b>	<b>\$ 411,452</b>

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**20. Segmented information**

*Operating segment:*

The Company has one operating segment, the acquisition, exploration and evaluation of mineral assets.

*Geographic segments:*

The Company's assets, liabilities, expenses and other income by geographic area as at and for the years ended December 31, 2022 and 2021 are as follows:

	As at December 31, 2022		
	Canada	Peru	Total
Current assets	\$ 9,112,883	\$ 604,825	\$ 9,717,708
Exploration and evaluation assets	-	15,601,337	15,601,337
Non-current assets	54,098	2,378,008	2,432,106
<b>Total assets</b>	<b>\$ 9,166,981</b>	<b>\$ 18,584,170</b>	<b>\$ 27,751,151</b>
Current liabilities	\$ 93,648	\$ 2,049,567	\$ 2,143,215
Non-current liabilities	488,201	-	488,201
<b>Total liabilities</b>	<b>\$ 581,849</b>	<b>\$ 2,049,567</b>	<b>\$ 2,631,416</b>

	As at December 31, 2021		
	Canada	Peru	Total
Current assets	\$ 7,192,519	\$ 231,288	\$ 7,423,807
Exploration and evaluation assets	-	8,290,830	8,290,830
Non-current assets	1,781	1,186,516	1,188,297
<b>Total assets</b>	<b>\$ 7,194,300</b>	<b>\$ 9,708,634</b>	<b>\$ 16,902,934</b>
Current liabilities	\$ 213,742	\$ 1,786,518	\$ 2,000,260
Non-current liabilities	-	1,137,652	1,137,652
<b>Total liabilities</b>	<b>\$ 213,742</b>	<b>\$ 2,924,170</b>	<b>\$ 3,137,912</b>

	Year Ended December 31, 2022		
	Canada	Peru	Total
Expenses	\$ (3,207,889)	\$ (3,181,852)	\$ (6,389,741)
Other income (expenses)	1,739,499	(611,880)	1,127,619
<b>Net loss for the year</b>	<b>\$ (1,468,390)</b>	<b>\$ (3,793,732)</b>	<b>\$ (5,262,122)</b>

	Year Ended December 31, 2021		
	Canada	Peru	Total
Expenses	\$ (397,803)	\$ (1,213,455)	\$ (1,611,258)
Other expenses	(5,750)	(526,152)	(531,902)
<b>Net loss for the year</b>	<b>\$ (403,553)</b>	<b>\$ (1,739,607)</b>	<b>\$ (2,143,160)</b>

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**21. General and administrative**

	Year Ended December 31,	
	2022	2021
Administrative expenses	\$ 612,098	\$ 134,463
Advertising and marketing	379,610	-
Depreciation (Note 8)	225,885	184,489
Environmental fees	158,459	92,042
Filing and listing fees	334,306	95
Insurance	316,968	113,059
Operational expenses	1,169,779	295,447
Professional fees	1,005,684	186,029
Salaries and benefits (Note 18)	1,402,356	346,622
Travel, meals and entertainment	152,551	20,081
	<b>\$ 5,757,696</b>	<b>\$ 1,372,327</b>

Certain amounts for the periods ended September 30, 2022 and September 30, 2021 have been reclassified conform to the presentation for the years ended December 31, 2022 and December 31, 2021.

**22. Income taxes**

The Company's provision for income taxes differs from the amounts computed by applying the basic current rate of 26.5% for Canada to income (loss) for the year before taxes as shown in the following table:

	Year Ended December 31,	
	2022	2021
<b>Loss before income taxes</b>	<b>\$ (5,262,122)</b>	<b>\$ (2,143,160)</b>
Expected income tax recovery based on statutory rate	(1,508,274)	(567,937)
Adjustments to expected income tax recovery:		
Stock based compensation	167,492	30,209
True up for non-capital loss	(1,762,102)	-
Unrealized losses	-	1,851
Other permanent and temporary differences	870,595	150,879
Share issue costs reported in equity	(464,145)	(68,568)
Rate differential	(83,220)	(34,236)
Unrealized gain on warrant	(679,125)	-
Change in deferred income tax asset not recognized	3,458,779	487,802
<b>Income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

**Deferred Income Taxes**

As at December 31,	2022	2021
Capital assets	24,183	17
Mineral assets	(2,775,594)	-
Share issuance costs and other	452,678	68,568
Canadian non-capital losses carried forward	998,831	94,470
Foreign losses carried forward	5,513,491	591,754
Deferred tax assets	4,213,589	754,809
Less: Deferred tax assets not recognized	(4,213,589)	(754,809)
<b>Net deferred tax assets (liabilities)</b>	<b>\$ -</b>	<b>\$ -</b>

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**22. Income taxes (continued)**

Certain deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

**Tax Loss Carry Forward Balances**

As at December 31, 2022, the non-capital losses expire as follows:

<b>Year</b>	<b>Amount</b>
2041	\$ 356,489
2042	3,769,174
	<b>\$ 4,125,663</b>

**23. 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 both the approval of the Company's Mine Closure Plan and the commencement of mining operations, a provision for decommissioning will be recognized. Current estimates made by management are that the budget for remediation activities could be between \$9.5M and \$12.5M and that the estimated Life of Mine could be between 10 and 15 years.

The Company is subject to various administrative procedures and potential disputes under various Peruvian laws and regulations including with the General Directorate of Environmental Affairs from Mining (DGAAM), the Supervisory Agency of Investment into Energy and Mines (OSINERGMIN), the Local Water Authority (ALA) and the Supervisory Agency for Environmental Protection (OEFA).

The Company discloses these as contingent liabilities as they represent possible obligations arising from past events; however, the Company and the Company's external advisors do not consider it probable that an outflow of resources will be required to settle the obligations and in some of the cases the Company's liability cannot be measured reliably.

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**24. Subsequent events**

- (i) On February 9, 2023, the Company completed its bought deal prospectus offering (the "Offering") of 27,000,000 units of the Company (the "Units") at a price of \$0.22 (C\$0.30) per Unit (the "Offering Price"), for gross proceeds of \$6,032,880 (C\$8,100,000). The Company also issued an additional 4,050,000 Units at the Offering Price, for additional gross proceeds of \$904,932 (C\$1,215,000), 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 \$0.34 (C\$0.45) per Common Share and expires on February 9, 2026.

In connection with the Offering, the Company paid underwriters' commissions equal to 5% of the gross proceeds from the sale of the Units pursuant to the Offering, subject to a reduced cash commission of 2.5% of the gross proceeds from the sale of the Units to certain president's list purchasers.

On February 27, 2023, the TSXV has accepted for listing 15,525,000 Warrants issued in connection to the Offering, for trading on the TSXV. The Warrants commenced trading on the TSXV at the open of markets on February 27, 2023 under the trading symbol "AGMR.WT.A".

- (ii) On April 1, 2023, the Company granted stock options to a certain officer of the Company to purchase up to 650,000 common shares of the Company, exercisable at a price of C\$0.38 per share and expiring April 1, 2027. These options will vest over the span of three years, with 325,000 to be vested on the first anniversary of the date of grant, 162,500 to be vested on the second anniversary of the date of grant, and the remaining 162,500 to be vested on the third anniversary of the date of grant.