TSXV.AGMR

SILVER MOUNTAIN RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(EXPRESSED IN UNITED STATES DOLLARS)
(UNAUDITED)

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Report of Independent Registered Public Accounting Firm

To the Members of the Audit Committee

In accordance with our engagement letter dated May 9, 2023 we have performed an interim review of the condensed interim consolidated statement of financial position of Silver Mountain Resources Inc. (the "Company") as at March 31, 2023, the condensed interim consolidated statements of net and comprehensive (loss) income for the three month periods ended March 31, 2023 and 2022, and the condensed interim consolidated statements of changes in shareholders' equity and cash flows for the three-month periods ended March 31, 2023 and 2022. These condensed interim consolidated financial statements are the responsibility of the Company's management.

We performed our interim review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor.

An interim review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our interim review, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with the International Accounting Standard 34 *Interim Financial Reporting*.

We have previously audited, in accordance with Canadian generally accepted auditing standards, the consolidated statement of financial position of Silver Mountain Resources Inc. as at December 31, 2022, and the related consolidated statements of loss and other comprehensive loss, changes in equity and cash flows for the period then ended (not presented herein). In our report dated April 20, 2023, we expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of financial position as at December 31, 2022, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

This report is solely for the use of the Audit Committee of the Company to assist it in discharging its regulatory obligation to review these condensed interim consolidated financial statements and should not be used for any other purpose.

BDO Canada LLP

Chartered Professional Accountants
Vancouver, British Columbia
May 30, 2023

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

		As at March 31, 2023		As at December 31, 2022
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**12,077,754**	$	8,770,989
Restricted cash (Note 3)		**508,249**		241,597
Amounts receivable and other assets		**103,544**		79,760
Prepaid expenses		**881,344**		625,362
		13,570,891		9,717,708
Non-current assets				
Property, plant, and equipment (Note 4)		**376,939**		402,115
Exploration and evaluation costs (Note 5)		**17,320,042**		15,601,337
Prepaid expenses		**-**		51,597
Tax credits (Note 6)		**2,227,565**		1,978,394
Total assets	**$**	**33,495,437**	$	27,751,151
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Amounts payable and other payables (Note 7)	**$**	**2,570,643**	$	2,143,215
		2,570,643		2,143,215
Non-current liabilities				
Warrant liabilities (Note 9)		**792,378**		488,201
Total liabilities		**3,363,021**		2,631,416
Shareholders' equity				
Share capital (Note 10)		**39,210,419**		34,286,247
Contributed surplus (Note 11)		**1,011,787**		746,040
Deficit		**(10,089,790)**		(9,912,552)
Total shareholders' equity		**30,132,416**		25,119,735
Total liabilities and shareholders' equity	**$**	**33,495,437**	$	27,751,151

Contingencies (Note 18)
Subsequent events (Note 19)

Approved on behalf of the Board:

"Blair Zaritsky", Director

"Alfredo Plenge Thorne", Director

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

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Operating expenses		
General and administrative (Note 17)	**$ 1,174,146**	$ 1,306,108
Share-based compensation (Notes 11 & 14)	**265,747**	141,052
Operating loss before the following items	**(1,439,893)**	(1,447,160)
Financial expenses (Note 15)	**(8,816)**	(527,950)
Foreign exchange (loss) gain	**(38,778)**	232,958
Unrealized gain on revaluation of warrant liabilities (Note 9)	**1,310,249**	2,118,910
Net and comprehensive (loss) income for the period	**$ (177,238)**	$ 376,758
Basic and diluted (loss) earnings per share (Note 13)	**$ (0.00)**	$ 0.00
Weighted average number of common shares outstanding - basic and diluted (Note 13)	**203,669,860**	167,023,193

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

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Operating activities		
Net (loss) income for the period	**$ (177,238)**	$ 376,758
Items not affecting cash		
Depreciation	**876**	47,435
Foreign exchange in restricted cash	**(3,843)**	-
Unrealized gain on revaluation of warrant liabilities	**(1,310,249)**	(2,118,910)
Currency translation effect on revaluation of warrant liabilities	**(12,491)**	45,595
Accretion on Trafigura loan payable	**-**	519,099
Interest accrued on Trafigura loan	**-**	7,564
Share-based compensation	**265,747**	141,052
Changes in non-cash working capital items:		
Amounts receivable and other assets	**(272,955)**	(396,706)
Prepaid expenses	**(204,385)**	(735,348)
Amounts payable and other liabilities	**242,178**	240,857
Net cash and cash equivalents used in operating activities	**(1,472,360)**	(1,872,604)
Investing activities		
Exploration and evaluation cost additions	**(1,480,634)**	(501,471)
Purchase of mining concessions	**-**	(10,357)
Purchase of property, plant, and equipment	**(28,521)**	(31,354)
Restricted cash	**(262,809)**	-
Net cash and cash equivalents used in investing activities	**(1,771,964)**	(543,182)
Financing activities		
Proceeds from issuance of shares in Offering, net of costs (Note 10)	**6,551,089**	-
Proceeds from issuance of shares in IPO, net of costs (Note 10)	**-**	19,505,638
Repayment of Trafigura loan	**-**	(2,944,028)
Net cash and cash equivalents provided by financing activities	**6,551,089**	16,561,610
Net change in cash and cash equivalents	**3,306,765**	14,145,824
Cash and cash equivalents, beginning of period	**8,770,989**	6,990,383
Cash and cash equivalents, end of period	**$ 12,077,754**	$ 21,136,207
Composition of cash and cash equivalents:		
Cash	**$ 12,008,198**	$ 21,100,265
Cash equivalents	**69,556**	35,942
	$ 12,077,754	$ 21,136,207
Non-cash investing items not included in cash flows:		
Depreciation capitalized to exploration and evaluation costs	**$ 52,821**	$ 169
Change in mineral exploration costs accrued	**$ 185,250**	$ 105,472

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

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

	Share Capital				
	Number	Amount	Contributed Surplus	Deficit	Total
Balance, December 31, 2021	**133,519,860**	**$ 18,301,457**	**$ 113,995**	**$ (4,650,430)**	**$ 13,765,022**
Shares issued in IPO, net of costs	52,900,000	15,984,790	-	-	15,984,790
Share based compensation (Note 11)	-	-	141,052	-	141,052
Net income for the period	-	-	-	376,758	376,758
Balance, March 31, 2022	**186,419,860**	**$ 34,286,247**	**$ 255,047**	**$ (4,273,672)**	**$ 30,267,622**
Balance, December 31, 2022	**186,419,860**	**34,286,247**	**746,040**	**(9,912,552)**	**25,119,735**
Shares issued in Offering, net of costs	31,050,000	4,924,172	-	-	4,924,172
Share based compensation (Note 11)	-	-	265,747	-	265,747
Net loss for the period	-	-	-	(177,238)	(177,238)
Balance, March 31, 2023	**217,469,860**	**$ 39,210,419**	**$ 1,011,787**	**$ (10,089,790)**	**$ 30,132,416**

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

1. Nature and continuance of operations

Silver Mountain Resources Inc. (the "Company" or "AGMR") is incorporated under the Business Corporation Act (Ontario). The Company is primarily 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”. The 15,525,000 warrants issued at the time of the bought deal prospectus offering, commenced trading on the TSXV on February 27, 2023 under the symbol "AGMR.WT.A".

These condensed interim consolidated financial statements have been prepared 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 condensed interim consolidated financial statements of the Company for the three months ended March 31, 2023 were approved and authorized for issue by the Board of Directors on May 30, 2023.

2. Significant accounting policies and basis of presentation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with our audited financial statements for the year ended December 31, 2022.

The same accounting policies and methods of computation are followed in these condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2022.

(b) Basis of preparation

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

(c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its 99.99%-owned subsidiary, Sociedad Minera Reliquias S.A.C. (“AGMR Peru”), which was acquired on May 7, 2021 in conjunction with the RTO Transaction. Pursuant to Peruvian General Corporate Law requirements that a Peruvian company have more than one shareholder, in September 2021, the Company issued 1 common shares 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 condensed interim consolidated financial statements.

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

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

(d) Comparative amounts

Certain prior year comparative amounts have been changed to align with current year presentation.

(e) 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, 2024, or later.

The standards and amendments to IFRS that have been issued up to the date of issue of the condensed interim 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 condensed interim 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, 2024, and must be applied retroactively. The extent of the impact of adoption of this amendment has not yet been determined.

3. Restricted cash

During the three months ended March 31, 2023, the Company increased its restricted cash deposit by $262,809 (PEN 990,000) as required by the Peruvian Ministry of Mines (“MINEM”) in connection with the process of obtaining approval for the Company’s Mine Closure Plan. At March 31, 2023, the Company held $508,249 (PEN 1,910,000) (December 31, 2022 - $241,597 (PEN 920,000)) in a cash deposit which has been pledged through a guaranty on behalf of 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 return to AGMR Peru’s operating accounts following the approval of the Mine Closure Plan. In May 2023, $248,514 (PEN 920,000) of the deposit was returned to the Company since it was replaced with the $262,809 (PEN 990,000) cash deposit made in the interim period ending March 31, 2023.

(Expressed in United States Dollars) (Unaudited)

4. Property, plant, and equipment

Cost	Land	Building and facilities	Mining equipment	Office equipment and furniture	Leased equipment	Total
Balance, December 31, 2021	**$ 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)
Balance, December 31, 2022	**36,041**	**151,544**	**828,017**	**176,341**	**-**	**1,191,943**
Additions	-	-	11,500	17,021	-	28,521
Balance, March 31, 2023	**$ 36,041**	**$ 151,544**	**$ 839,517**	**$ 193,362**	**$ -**	**$ 1,220,464**
Accumulated depreciation						
Balance, December 31, 2021	**$ -**	**$ 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)
Balance, December 31, 2022	**-**	**51,492**	**700,525**	**37,811**	**-**	**789,828**
Depreciation expense	-	4,152	41,401	8,144	-	53,697
Balance, March 31, 2023	**$ -**	**$ 55,644**	**$ 741,926**	**$ 45,955**	**$ -**	**$ 843,525**
Carrying value						
Balance, December 31, 2022	**$ 36,041**	**$ 100,052**	**$ 127,492**	**$ 138,530**	**$ -**	**$ 402,115**
Balance, March 31, 2023	**$ 36,041**	**$ 95,900**	**$ 97,591**	**$ 147,407**	**$ -**	**$ 376,939**
Depreciation Rates	**-**	**5% - 20%**	**20%**	**10%**	**25%**	**-**

5. 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 8. 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.

(Expressed in United States Dollars) (Unaudited)

5. Exploration and evaluation costs (continued)

Reliquias (continued)

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^2 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 lead to the completion of a NI 43-101 compliant technical report, identifying historical resources in the central property of the project.

	As at March 31, 2023			**As at December 31, 2022**		
	Acquisition Costs	**Exploration Costs**	**Total**	**Acquisition Costs**	**Exploration Costs**	**Total**
Reliquias	**$ 2,753,900**	**$10,351,541**	**$13,105,441**	$ 2,753,900	$ 8,632,836	$11,386,736
Greenfield - Dorita	**1,384,500**	**2,139,881**	**3,524,381**	1,384,500	2,139,881	3,524,381
Other	**385,849**	**304,371**	**690,220**	385,849	304,371	690,220
	$ 4,524,249	**$12,795,793**	**$17,320,042**	$ 4,524,249	$11,077,088	$15,601,337

	Reliquias	**Greenfield - Dorita**	**Other**	**Total**
Balance, December 31, 2022	**$ 11,386,736**	**$ 3,524,381**	**$ 690,220**	**$ 15,601,337**
Exploration costs				
Depreciation (Note 4)	52,821	-	-	52,821
Drilling	177,334	-	-	177,334
Mine rehabilitation	182,459	-	-	182,459
General on-site expenses	502,653	-	-	502,653
Geological mapping, sampling & other	254,093	-	-	254,093
Right of use	149,949	-	-	149,949
Salaries and benefits (Note 14)	303,143	-	-	303,143
Topography and geophysics	16,875	-	-	16,875
Complementary environmental services	79,378	-	-	79,378
	1,718,705	-	-	1,718,705
Balance, March 31, 2023	**$ 13,105,441**	**$ 3,524,381**	**$ 690,220**	**$ 17,320,042**

(Expressed in United States Dollars) (Unaudited)

6. Tax credits

As of March 31, 2023, the Company maintains in its non-current assets a tax credit for general sales tax (IGV, Impuesto General a las Ventas, in Spanish) of $2,227,565 (December 31, 2022 - $1,978,394), 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.

7. Amounts payable and other payables

	As at March 31, 2023	As at December 31, 2022
Trade accounts payable	**$ 1,527,877**	$ 1,604,705
Taxes payable	**29,440**	26,702
Accrued liabilities	**818,771**	467,959
Other amounts payable	**194,555**	43,849
	$ 2,570,643	$ 2,143,215

8. 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 4), and mining concessions (Note 5)) 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.

(Expressed in United States Dollars) (Unaudited)

8. 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.

9. Warrant liabilities

		As at March 31, 2023		As at December 31, 2022
Balance, beginning of period	**$**	**488,201**	$	-
Issuance of warrants (Note 10)		**1,626,917**		3,127,478
Unrealized gain on revaluation		**(1,310,249)**		(2,562,736)
Currency translation effect		**(12,491)**		(76,541)
Balance, end of period	**$**	**792,378**	$	488,201

The fair value of the warrants issued in connection with the IPO upon issuance was determined to be $3,127,478 using the Black-Scholes option pricing model (Note 10). 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 March 31, 2023, these warrants were trading at a price of C$0.02. 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.

The fair value of the warrants issued in connection with the Offering upon issuance was determined to be $1,626,917 using the Black-Scholes option pricing model (Note 10). Upon commencement of the warrants trading on the TSXV on February 27, 2023, the trading value was used to determine the fair value estimate for subsequent periods. As of March 31, 2023, these warrants were trading at a price of C$0.035. Of the $505,190 of costs incurred in connection with the Offering, $118,467 were allocated to the warrant liabilities and included in general and administrative expenses in the statement of net and comprehensive (loss) income for the three months ended March 31, 2023.

10. Share capital

a) Authorized share capital

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

b) Issued share capital

(i) On February 2, 2022, the Company closed the initial public offering (the “IPO”) 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.

10. Share capital (continued)

b) Issued share capital (continued)

(i) (continued)

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) income.

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 IPO.

(ii) On February 9, 2023, the Company closed its bought deal prospectus offering (the "Offering") of 27,000,000 units of the Company 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 and one half of one 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. The fair value of the Warrants upon issuance was determined to be $1,626,917 using the Black-Scholes option pricing model with the following assumptions: stock price of $0.22 (C$0.29), dividend yield of 0%, expected volatility of 89%, risk free interest rate of 3.67% and expected life of 3 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) income.

The Company received net proceeds of $6,432,621 (C$8,634,528) net of underwriters' commissions of $332,879 (C$446,938) and other costs of $172,311 (C$233,534).

11. Stock options

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

The following table reflects the continuity of stock options for the periods ended March 31, 2023 and 2022:

(Expressed in United States Dollars) (Unaudited)

11. Stock options (continued)

	Number of stock options	Weighted average exercise price
Balance, December 31, 2021	**5,900,000**	**$ 0.30**
Granted (i)(ii)	2,310,000	0.39
Balance, March 31, 2022	**8,210,000**	**$ 0.33**
Balance, December 31, 2022	**13,830,000**	**$ 0.31**
Forfeited (iii)	(500,000)	0.30
Balance, March 31, 2023	**13,330,000**	**$ 0.31**

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

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

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

(iii) On January 30, 2023, 500,000 of the stock options granted on September 17, 2021 were forfeited.

During the three months ended March 31, 2023, the Company recorded share-based compensation expense of $265,747 (three months ended March 31, 2022 - $141,052) related to stock options.

The following table reflects the actual stock options issued and outstanding as of March 31, 2023:

Expiry Date	Exercise Price	Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Number of Options Unvested
April 30, 2025	$0.30	2.08	4,900,000	2,450,000	2,450,000
February 2, 2026	$0.37	2.85	1,650,000	825,000	825,000
May 16, 2026	$0.37	3.13	660,000	-	660,000
June 28, 2026	$0.37	3.25	660,000	-	660,000
December 1, 2026	$0.28	3.67	5,460,000	-	5,460,000
	$0.31	**3.15**	**13,330,000**	**3,275,000**	**10,055,000**

(Expressed in United States Dollars) (Unaudited)

12. Warrants

The following table reflects the continuity of warrants for the periods ended March 31, 2023 and 2022:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2021	**16,759,870**	**$ 0.90**
Granted in the IPO (Notes 9 & 10(b)(i))	26,450,000	0.55
Balance, March 31, 2022	**43,209,870**	**$ 0.69**
Balance, December 31, 2022	**43,209,870**	**$ 0.67**
Granted in the Offering (Notes 9 & 10(b)(ii))	15,525,000	0.34
Balance, March 31, 2023	**58,734,870**	**$ 0.58**

The following table reflects the actual warrants issued and outstanding as of March 31, 2023:

Number of Warrants	Exercise Price	Expiry Date
26,450,000	$ 0.52	February 2, 2024
16,759,870	$ 0.90	April 15, 2024
15,525,000	$ 0.33	February 9, 2026
58,734,870	**$ 0.58**	

13. Net (loss) earnings per common share

The calculation of basic and diluted loss per share for the three months ended March 31, 2023 was based on the loss attributable to common shareholders of $177,238 (three months ended March 31, 2022 - basic and diluted earnings per share was based on the income attributable to common shareholders of $376,758) and the weighted average number of basic common shares outstanding of 203,669,860 for the three months ended March 31, 2023 (three months ended March 31, 2022 - 167,023,193). For the three months ended March 31, 2023, all potential dilutive stock options and warrants were excluded from the diluted earnings per share calculations as they are not in the money. For the three months ended March 31, 2022, all potential dilutive stock options and warrants were excluded from the diluted loss per share calculations as they are anti-dilutive.

14. Related party transactions

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

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

(Expressed in United States Dollars) (Unaudited)

14. Related party transactions (continued)

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

	Three Months Ended March 31, 2023	2022
Management salaries (i)	**$ 229,094**	$ 266,395
Director and chair fees (ii)	**64,270**	48,000
Severance fee (iii)	**174,649**	-
Share-based compensation (Note 11)	**203,858**	122,273
	$ 671,871	$ 436,668

(i) During the three months ended March 31, 2023, management salaries of $163,521 (three months ended March 31, 2022 - $190,826) were expensed as salaries and benefits, and $65,573 (three months ended March 31, 2022 - $75,569) were capitalized as exploration and evaluation costs.

(ii) During the three months ended March 31, 2023, director and chair fees of $64,270 (three months ended March 31, 2022 - $48,000) were expensed as salaries and benefits.

(iii) During the three months ended March 31, 2023, severance fee of $174,649 (three months ended March 31, 2022 - $nil) to a certain officer of the Company was expensed as salaries and benefits.

(iv) As at March 31, 2023, included in amounts payable and other payables are $13,033 (December 31, 2022 - $nil) owing to a certain director of the Company and $231,176 (December 31, 2022 - $nil) owing to a certain Officer of the Company.

15. Financial expenses

	Three Months Ended March 31, 2023	2022
Bank charges	**$ 8,932**	$ 1,713
Interest (income) expense	**(116)**	7,138
Accretion on Trafigura loan payable (Note 8)	**-**	519,099
	$ 8,816	$ 527,950

(Expressed in United States Dollars) (Unaudited)

16. 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 periods ended March 31, 2023 and 2022 are as follows:

	As at March 31, 2023		
	Canada	**Peru**	**Total**
Current assets	$ 12,368,133	$ 1,202,758	$ 13,570,891
Exploration and evaluation assets	-	17,320,042	17,320,042
Non-current assets	2,299	2,602,205	2,604,504
Total assets	**$ 12,370,432**	**$ 21,125,005**	**$ 33,495,437**
Current liabilities	$ 256,936	$ 2,313,707	$ 2,570,643
Non-current liabilities	792,378	-	792,378
Total liabilities	**$ 1,049,314**	**$ 2,313,707**	**$ 3,363,021**

	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
Total assets	**$ 9,166,981**	**$ 18,584,170**	**$ 27,751,151**
Current liabilities	$ 93,648	$ 2,049,567	$ 2,143,215
Non-current liabilities	488,201	-	488,201
Total liabilities	**$ 581,849**	**$ 2,049,567**	**$ 2,631,416**

	Three Months Ended March 31, 2023		
	Canada	**Peru**	**Total**
Expenses	$ (1,122,532)	$ (317,361)	$ (1,439,893)
Other income (expenses)	1,268,599	(5,944)	1,262,655
Net loss for the period	**$ 146,067**	**$ (323,305)**	**$ (177,238)**

	Three Months Ended March 31, 2022		
	Canada	**Peru**	**Total**
Expenses	$ (829,991)	$ (617,169)	$ (1,447,160)
Other income (expenses)	2,330,995	(507,077)	1,823,918
Net income (loss) for the period	**$ 1,501,004**	**$ (1,124,246)**	**$ 376,758**

(Expressed in United States Dollars) (Unaudited)

17. General and administrative

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Administrative expenses	**$ 65,844**	$ 186,785
Advertising and marketing	**93,245**	81,324
Depreciation (Note 4)	**876**	47,435
Environmental fees	**531**	29,165
Filing and listing fees	**126,465**	250,819
Insurance	**62,976**	47,787
Operational expenses	**14,911**	174,100
Professional fees	**319,670**	182,995
Salaries and benefits (Note 14)	**436,558**	290,306
Travel, meals and entertainment	**53,070**	15,392
	$ 1,174,146	$ 1,306,108

Certain amounts for the period ended March 31, 2022 have been reclassified for presentation purposes.

18. 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 condensed interim consolidated statements of net and comprehensive (loss) income.

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 condensed interim 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 a material outflow of resources will be required to settle the obligations and in some of the cases the Company’s liability cannot be measured reliably.

19. Subsequent events

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.