TSXV.AGMR

SILVER MOUNTAIN RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED
DECEMBER 31, 2023 AND 2022

(EXPRESSED IN UNITED STATES DOLLARS)

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

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

Independent Auditor's Report

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, 2023 and 2022, 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, 2023 and 2022, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred losses from inception and expects to incur further losses in the exploration of its mineral properties, funding of which is dependent on the Company being able to draw down on its current cash, maintain cost control measures and raise additional capital. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

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(f) and 2(g) 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 IFRSs, 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 Company 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 25, 2024

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

	As at December 31, 2023	As at December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	**$ 4,660,229**	$ 8,770,989
Restricted cash (Note 6)	**267,206**	241,597
Amounts receivable and other assets	**66,030**	79,760
Prepaid expenses	**292,285**	625,362
	5,285,750	9,717,708
Non-current assets		
Property, plant, and equipment (Note 7)	**356,858**	402,115
Exploration and evaluation costs (Note 8)	**24,220,518**	15,601,337
Prepaid expenses	**-**	51,597
Tax credits (Note 9)	**3,496,888**	1,978,394
Total assets	**$ 33,360,014**	$ 27,751,151
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Amounts payable and other payables (Note 10)	**$ 1,570,331**	$ 2,143,215
Non-current liabilities		
Warrant liabilities (Note 12)	**921,686**	488,201
Total liabilities	**2,492,017**	2,631,416
Shareholders' equity		
Share capital (Note 13)	**42,077,668**	34,286,247
Contributed surplus (Note 14)	**1,105,370**	746,040
Deficit	**(12,315,041)**	(9,912,552)
Total shareholders' equity	**30,867,997**	25,119,735
Total liabilities and shareholders' equity	**$ 33,360,014**	$ 27,751,151

Nature of operations and going concern (Note 1)
Contingencies (Note 22)
Commitments (Note 23)
Subsequent events (Note 24)

Approved on behalf of the Board:

"Timothy Loftsgard", 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, 2023	Year Ended December 31, 2022
Operating expenses		
General and administrative (Note 20)	**$ 3,529,855**	$ 5,757,696
Share-based compensation (Notes 14 & 17)	**383,780**	632,045
Operating loss before the following items	**(3,913,635)**	(6,389,741)
Financial expenses (Note 18)	**(13,055)**	(543,109)
Foreign exchange gain (loss)	**129,474**	(896,460)
Realized gain on disposal of property, plant, and equipment	**-**	4,452
Unrealized gain on revaluation of warrant liabilities (Note 12)	**1,200,225**	2,562,736
Net and comprehensive loss for the year	**$ (2,596,991)**	$ (5,262,122)
Basic and diluted loss per share (Note 16)	**$ (0.01)**	$ (0.03)
Weighted average number of common shares outstanding - basic and diluted (Note 16)	**222,498,262**	181,637,120

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, 2023	Year Ended December 31, 2022
Operating activities		
Net loss for the year	**$ (2,596,991)**	$ (5,262,122)
Items not affecting cash		
Depreciation	**10,073**	225,885
Unrealized foreign exchange (gain) loss	**(11,314)**	5,449
Realized gain on disposal of property, plant, and equipment	**-**	(4,452)
Unrealized gain on revaluation of warrant liabilities	**(1,200,225)**	(2,562,736)
Currency translation effect on revaluation of warrant liabilities	**6,793**	(76,541)
Accretion on Trafigura loan payable	**-**	519,099
Interest accrued on Trafigura loan	**-**	7,564
Share-based compensation	**383,780**	632,045
Extinguished mining rights	**8,325**	-
Changes in non-cash working capital items:		
Amounts receivable and other assets	**(1,504,764)**	(1,304,309)
Prepaid expenses	**384,674**	(676,959)
Amounts payable and other payables	**(87,598)**	(327,313)
Net cash and cash equivalents used in operating activities	**(4,607,247)**	(8,824,390)
Investing activities		
Exploration and evaluation cost additions	**(8,885,109)**	(5,411,421)
Purchase of mining concessions	**(92,217)**	(141,539)
Purchase of property, plant, and equipment	**(100,282)**	(168,608)
Proceeds from disposal of property, plant, and equipment	**-**	12,000
Restricted cash	**(262,809)**	(247,046)
Restricted cash returned	**248,514**	-
Net cash and cash equivalents used in investing activities	**(9,091,903)**	(5,956,614)
Financing activities		
Proceeds from issuance of units in Offering, net of costs	**6,551,089**	-
Proceeds from issuance of units in private placement, net of costs	**3,037,301**	-
Proceeds from issuance of units in IPO, net of costs	**-**	19,505,638
Repayment of Trafigura loan	**-**	(2,944,028)
Net cash and cash equivalents provided by financing activities	**9,588,390**	16,561,610
Net change in cash and cash equivalents	**(4,110,760)**	1,780,606
Cash and cash equivalents, beginning of year	**8,770,989**	6,990,383
Cash and cash equivalents, end of year	**$ 4,660,229**	$ 8,770,989
Composition of cash and cash equivalents:		
Cash	**$ 4,589,985**	$ 8,701,457
Cash equivalents	**70,244**	69,532
	$ 4,660,229	$ 8,770,989
Non-cash investing items not included in cash flows:		
Depreciation capitalized to exploration and evaluation costs	**$ 135,466**	$ 7,566
Change in exploration and evaluation costs accrued	**$ (485,286)**	$ 1,749,982

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				
	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 14)	-	-	632,045	-	632,045
Net loss for the year	-	-	-	(5,262,122)	(5,262,122)
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
Shares issued in private placement, net of costs	62,190,000	2,867,249	170,052	-	3,037,301
Share based compensation (Note 14)	-	-	383,780	-	383,780
Stock options forfeited	-	-	(194,502)	194,502	-
Net loss for the year	-	-	-	(2,596,991)	(2,596,991)
Balance, December 31, 2023	**279,659,860**	**$ 42,077,668**	**$ 1,105,370**	**$ (12,315,041)**	**$ 30,867,997**

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

1. Nature of operations and going concern

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".

These consolidated financial statements have been prepared on the assumption that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of business.

The Company has incurred losses since inception and has an accumulated deficit of $12,315,041 at December 31, 2023 (December 31, 2022 - $9,912,552). For the year ended December 31, 2023, the Company incurred a net loss of $2,596,991 (2022 - $5,262,122). The Company expects to incur further losses in the exploration, evaluation and development of its mineral properties.

As the Company is in the exploration stage, the Company’s ability to continue as a going concern and fund its exploration and development activity for at least the next twelve-month period is dependent on the Company being able to draw down on its current cash, maintain cost control measures and raise additional capital. The Company has had success raising capital in the past. On February 9, 2023, the Company closed a bought deal prospectus offering for gross proceeds of $6,032,880 (C$8,100,000) (Note 13 (b)(ii)), and on November 10, 2023, the Company closed a non-brokered private placement for gross proceeds of $3,109,500 (Note 13(b)(iii)). The ability to continue as a going concern remains dependent on the Company’s capacity to obtain the additional financing necessary to continue to fund its mineral properties, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Company’s ability to continue as a going concern.

These consolidated financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

These consolidated financial statements of the Company for the year ended December 31, 2023 were approved and authorized for issue by the Board of Directors on April 25, 2024.

2. Material accounting policy information 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.

2. Material accounting policy information and basis of presentation (continued)

(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. 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 consolidated financial statements.

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

(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.

(e) Property, plant, and equipment, and accumulated depreciation

Property, plant, and equipment are presented at their acquisition cost minus accumulated depreciation and, if any, the accumulated amount of impairment losses. The carrying amounts of property, plant, and equipment are depreciated to their estimated residual values over the estimated useful lives of the specific assets concerned or the estimated life-of-mine ("LOM"), if shorter. The major categories of property, plant and equipment and their estimated useful lives are indicated below as follows:

	Useful life
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. 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.

Where an item of property, plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Costs incurred for major overhaul of existing equipment are capitalized as property, plant and equipment and are subject to depreciation once they are available for use, for example when the mine is considered in commercial production. Major overhauls include improvement programs that increase the productivity or extend the useful life of an asset beyond that initially envisaged. The costs of routine maintenance and repairs that do not constitute improvement programs are accounted for as an expense in the consolidated statements of net and comprehensive loss.

By selling or retiring items of 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.

2. Material accounting policy information and basis of presentation (continued)

(f) 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 consolidated statements of net and comprehensive loss for the year.

Acquisition, exploration and evaluation costs are capitalized and deferred to exploration and evaluation cost assets until such time as the technical feasibility and commercial viability of extracting a mineral reserve for a particular property or project are demonstrable or the property or project is disposed of, either through sale or abandonment, or becomes impaired.

Once the technical feasibility and commercial viability of extracting a mineral reserve for a particular property are demonstrable, the capitalized amounts are first tested for impairment and then transferred to property, plant and equipment. If a property is put into production, the carrying value will be amortized over the life of the property based on estimated economic reserves. If a property is abandoned, the carrying value will be written off to the consolidated statements of net and comprehensive loss.

(g) Impairment of exploration and evaluation costs and non-financial assets

The carrying amount of the Company’s exploration and evaluation costs, and property, plant and equipment are periodically assessed for impairment when indicators of potential impairment are identified to exist. If an indication of impairment is identified, an estimate of the asset’s recoverable amount is calculated to determine the extent of the impairment loss, if any. The recoverable amount is determined as the higher of the fair value less costs of disposal for the asset and the asset’s value in use. In assessing the fair value, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment is determined on an asset by asset basis, whenever possible. If it is not possible to determine impairment on an individual asset basis, then impairment is considered on the basis of a cash generating unit (“CGU”). CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or the Company’s other group of assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged immediately to the consolidated statements of net and comprehensive loss, so as to reduce the carrying amount to its recoverable amount.

For property, plant and equipment, a previously recognized impairment loss is reversed if there has been a change in the estimates previously used to determine the asset’s recoverable amount since the last impairment loss was recognized. The impairment reversal is limited to the carrying value that would have been determined, net of any applicable depreciation, had no impairment charge been recognized previously.

(h) Tax credits receivable

The tax credit is composed of the value added tax from purchases of goods and services. According to applicable laws it could be applied to value added tax 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.

2. Material accounting policy information and basis of presentation (continued)

(i) 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.

(j) 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.

<u>Unit offerings</u>

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, a component of contributed surplus, is recorded as an increase to share capital.

(k) 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.

2. Material accounting policy information and basis of presentation (continued)

(k) Share based compensation transactions (continued)

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.

(l) 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.

(m) Income tax

Income tax includes a current and deferred component.

<u>Current</u>

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.

<u>Deferred</u>

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.

2. Material accounting policy information and basis of presentation (continued)

(m) Income tax (continued)

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.

(n) 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.

(o) 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.

(p) Comparative amounts

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

(q) New accounting standards in force

The standards that became effective in 2023 and apply to the Company are summarized below but did not affect the consolidated financial statements.

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.

2. Material accounting policy information and basis of presentation (continued)

(r) Future accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2024. There are no relevant IFRS's or IFRS interpretations that are not yet effective that would be expected to have a material impact on the consolidated financial statements.

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:

- *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.

Critical judgments in the application of accounting policies

- Management's judgment is used in determining the eligible expenditures used in the recognition of tax credits receivable and assessing the tax receivables in Peru for impairment. The Peruvian tax credit is composed of the value added tax from purchases of goods and services for Sociedad Minera Reliquias S.A.C. According to article 25 of the Peruvian General Sales Tax and Selective Consumption Tax Law (Supreme Decree No. 055-99-EF), states that the tax credit must be applied until its exhaustion in the following months against tax debits originated. Likewise, the law mentioned above does not state that such tax credit is time-barred or irrecoverable. The company estimates that it will be applied during its first years of production, which is planned to start during the first half of 2025, and according to the budget, the company estimates that such tax credit will be applied against tax debits originated by its mine operation until 2027.

3. Critical accounting estimates and judgments (continued)

Critical judgments in the application of accounting policies (continued)

- Management's judgment is used in reviewing the 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(g). 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.

- Management's judgment is used in determining if there are decommissioning and restoration provisions.

- Significant judgments are used in management's assessment of the Company's ability to continue as a going concern as described in Note 1.

- Management's judgment is used in determining title to exploration and evaluation properties.

- Management's judgment is used in determining the technical feasibility and commercial viability point in time for exploration and evaluation properties and this takes into account, among other factors, a combination of (i) the extent to which mineral reserves or mineral resources have been defined in a technical report in accordance with *National Instrument 43-101, Standards for Disclosure for Mineral Projects*; (ii) the results of further studies and technical evaluation carried out to mitigate project risks; (iii) status of environmental and other permits, (iv) status of mining leases; and (v) the availability of financial resources necessary to commence required mine development activities and reach commercial production.

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, 2023 and 2022. 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:

(Expressed in United States Dollars)

4. Financial Instruments (continued)

	As at December 31, 2023			As at December 31, 2022		
	At fair value through profit or loss	At amortized cost	Total	At fair value through profit or loss	At amortized cost	Total
ASSETS						
Cash and cash equivalents	**$ 4,660,229**	**$ -**	**$ 4,660,229**	$ 8,770,989	$ -	$ 8,770,989
Restricted cash	**267,206**	**-**	**267,206**	241,597	-	241,597
Amounts receivable and other assets	**-**	**66,030**	**66,030**	-	79,760	79,760
	$ 4,927,435	**$ 66,030**	**$ 4,993,465**	$ 9,012,586	$ 79,760	$ 9,092,346
LIABILITIES						
Amounts payable and other payables	**$ -**	**$ 1,570,331**	**$ 1,570,331**	$ -	$ 2,143,215	$ 2,143,215
Warrant liabilities	**921,686**	**-**	**921,686**	488,201	-	488,201
	$ 921,686	**$ 1,570,331**	**$ 2,492,017**	$ 488,201	$ 2,143,215	$ 2,631,416

(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. As at December 31, 2023, 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).

(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, 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:

4. Financial Instruments (continued)

(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:

As at December 31, 2023	Less than one year	More than one year	Total
Amounts payable and other payables	**$ 1,570,331**	**$ -**	**$ 1,570,331**

As at December 31, 2022	Less than one year	More than one year	Total
Amounts payable and other payables	$ 2,143,215	$ -	$ 2,143,215

(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) 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, 2023	As at December 31, 2022
Cash and cash equivalents	**$ 1,380,952**	$ 5,919,217
Amounts receivable and other assets	**40,248**	79,760
Prepaid expenses	**31,504**	6,194
Amounts payable and other payables	**(634,592)**	(1,312,507)
Warrant liabilities	**(921,686)**	(488,201)
Net (liabilities) assets	**$ (103,574)**	$ 4,204,463

(Expressed in United States Dollars)

4. Financial Instruments (continued)

(e) Exchange risk (continued)

As of December 31, 2023 and 2022, 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, 2023, the Company recorded a net foreign exchange difference loss of $129,474 (year ended December 31, 2022 - $896,460).

A sensitivity analysis of the profit or loss for the years ended December 31, 2023 and 2022 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, 2023		**Year Ended December 31, 2022**	
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	**$ (5,179)**	+ 5	$ 210,223
- 5	**$ 5,179**	- 5	$ (210,223)

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, 2023 and 2022.

6. Restricted cash

During the year ended December 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 December 31, 2023, the Company held $267,206 (PEN 990,000) (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 returned to AGMR Peru's operating accounts following the approval of the Mine Closure Plan. On May 10, 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 on March 30, 2023.

Balance, December 31, 2021	**$**	**-**
Additions		247,046
Foreign exchange loss		(5,449)
Balance, December 31, 2022	**$**	**241,597**
Additions		262,809
Returned		(248,514)
Foreign exchange gain		11,314
Balance, December 31, 2023	**$**	**267,206**

(Expressed in United States Dollars)

7. 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	-	-	31,593	68,689	-	100,282
Balance, December 31, 2023	**$ 36,041**	**$ 151,544**	**$ 859,610**	**$ 245,030**	**$ -**	**$ 1,292,225**
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	-	16,609	87,410	41,520	-	145,539
Balance, December 31, 2023	**$ -**	**$ 68,101**	**$ 787,935**	**$ 79,331**	**$ -**	**$ 935,367**
Carrying value						
Balance, December 31, 2022	**$ 36,041**	**$ 100,052**	**$ 127,492**	**$ 138,530**	**$ -**	**$ 402,115**
Balance, December 31, 2023	**$ 36,041**	**$ 83,443**	**$ 71,675**	**$ 165,699**	**$ -**	**$ 356,858**

8. 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 11. This acquisition date fair value was allocated based on the relative fair values of the acquired mining concessions and mining property plant and equipment.

(Expressed in United States Dollars)

8. Exploration and evaluation costs (continued)

Reliquias

Between April and December 2022, AGMR conducted an underground drilling program. 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.

During the year ended December 31, 2023, the second phase of the Company's 2023 infill and resource expansion drill program continues and is moving the Reliquias Project forward under its two-pronged strategy of advancing towards a production decision and exploring for additional resources.

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.

In addition, on September 1st, 2023, AGMR was notified of the approval of the Dorita Environmental Impact Statement, which allows the Company to execute 21 drilling platforms. The validity of this legal instrument is 5 years.

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 December 31, 2023			As at December 31, 2022		
	Acquisition Costs	**Exploration Costs**	**Total**	**Acquisition Costs**	**Exploration Costs**	**Total**
Reliquias	**$ 2,750,630**	**$17,168,125**	**$19,918,755**	$ 2,753,900	$ 8,632,836	$11,386,736
Greenfield - Dorita	**1,470,915**	**2,139,881**	**3,610,796**	1,384,500	2,139,881	3,524,381
Other	**386,596**	**304,371**	**690,967**	385,849	304,371	690,220
	$ 4,608,141	**$19,612,377**	**$24,220,518**	$ 4,524,249	$11,077,088	$15,601,337

(Expressed in United States Dollars)

8. Exploration and evaluation costs (continued)

	Reliquias	Greenfield - Dorita	Other	Total
Balance, December 31, 2021	**$ 5,156,644**	**$ 2,559,982**	**$ 574,204**	**$ 8,290,830**
Exploration costs				
Depreciation (Note 7)	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	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
Acquisition costs				
Mining rights	89,495	48,919	3,125	141,539
Balance, December 31, 2022	**$ 11,386,736**	**$ 3,524,381**	**$ 690,220**	**$ 15,601,337**
Exploration costs				
Depreciation (Note 7)	135,466	-	-	135,466
Drilling	1,079,862	-	-	1,079,862
Mine rehabilitation	756,364	-	-	756,364
General on-site expenses	3,032,034	-	-	3,032,034
Geological mapping, sampling & other	813,352	-	-	813,352
Right of use	568,448	-	-	568,448
Salaries and benefits (Note 17)	1,299,190	-	-	1,299,190
Topography and geophysics	266,848	-	-	266,848
Complementary environmental services	583,725	-	-	583,725
	8,535,289	-	-	8,535,289
Acquisition costs				
Mining rights	2,217	88,244	1,756	92,217
Extinguished rights (i)	(5,487)	(1,829)	(1,009)	(8,325)
Balance, December 31, 2023	**$ 19,918,755**	**$ 3,610,796**	**$ 690,967**	**$ 24,220,518**

(i) The Company decided to withdraw one mining concession in Reliquias (400 ha), two mining concessions in Dorita (200 ha) and one mining concession in Other (300 ha) totaling four mining concessions (900 ha) that had minimal or non-geological potential. The local authorities were notified of the withdrawals at the end of 2022 and it was confirmed during 2023.

9. Tax credits

As of December 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 $3,496,888 (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.

(Expressed in United States Dollars)

10. Amounts payable and other payables

	As at December 31, 2023	As at December 31, 2022
Trade accounts payable	**$ 910,973**	$ 1,604,705
Taxes payable	**39,929**	26,702
Accrued liabilities	**556,820**	467,959
Other amounts payable	**62,609**	43,849
	$ 1,570,331	$ 2,143,215

11. 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 7), and mining concessions (Note 8)) 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.

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.

12. Warrant liabilities

	As at December 31, 2023	As at December 31, 2022
Balance, beginning of year	**$ 488,201**	$ -
Issuance of warrants (Note 13)	**1,626,917**	3,127,478
Unrealized gain on revaluation	**(1,200,225)**	(2,562,736)
Currency translation effect	**6,793**	(76,541)
Balance, end of year	**$ 921,686**	$ 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 13). 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, 2023, these warrants were trading at a price of C$0.005. Of the $2,060,336 of costs incurred in connection with the IPO, $308,844 were allocated to the warrant liabilities, of which $231,052 is included in filing and listing fees, $77,704 is included in professional fees, and $88 is included in administrative expenses within general and administrative expenses in the statement of net and comprehensive loss for the year ended December 31, 2022 (Note 20).

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 13). 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 December 31, 2023, these warrants were trading at a price of C$0.07. Of the $505,190 of costs incurred in connection with the Offering, $118,467 were allocated to the warrant liabilities, of which $78,584 is included in filing and listing fees, $35,918 is included in professional fees, and $3,965 is included in administrative expenses within general and administrative expenses in the statement of net and comprehensive loss for the year ended December 31, 2023 (Note 20).

13. 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.

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.

13. Share capital (continued)

b) Issued share capital (continued)

(i) (continued)

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.

The Company received net proceeds of $6,432,621 (C$8,634,528) net of underwriters' commissions of $332,880 (C$446,938) and other costs of $172,311 (C$233,534).

(iii) On November 10, 2023, the Company closed the initial tranche of its non-brokered private placement (the "Private Placement") of 62,190,000 units of the Company at a price of $0.05 per Unit, for gross proceeds of $3,109,500. The Company issued 58,696,550 Units on November 10, 2023 and issued the remaining 3,493,450 Units on December 7, 2023.

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 $0.09 per Common Share for a period of 36 months from the issuance date.

The gross proceeds of $3,109,500 were allocated between share capital (in the amount of $2,935,406) and the warrant reserve within contributed surplus (in the amount of $174,094) based on the residual value method. The Company received net proceeds of $3,037,301 net of underwriters' commissions of $52,000 and other costs of $20,199. The Company incurred share issuance costs of $72,199, out of which $68,157 related to the common share portion was recorded as a reduction of share capital and $4,042 related to the warrant portion was recorded as a reduction to the warrant reserve within contributed surplus.

(Expressed in United States Dollars)

14. 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, 2023 and 2022:

	Number of stock options	Weighted average exercise price
Balance, December 31, 2021	**5,900,000**	**$ 0.30**
Granted (i)(ii)(iii)(iv)	9,090,000	0.33
Forfeited (vii)	(1,160,000)	0.35
Balance, December 31, 2022	**13,830,000**	**$ 0.31**
Granted (v)(vi)	875,000	0.28
Forfeited (vii)	(6,775,000)	0.31
Balance, December 31, 2023	**7,930,000**	**$ 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.

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 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%, 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%, risk free interest rate of 3.20% and expected life of 4 years.

(Expressed in United States Dollars)

14. Stock options (continued)

(iv) 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.

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%, risk free interest rate of 3.22% and expected life of 4 years.

(v) 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 $0.28 (C$0.38) per share and expiring on 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.

The fair value was determined to be $86,643 using the Black-Scholes option pricing model with the following assumptions: stock price of $0.20 (C$0.27), dividend yield of 0%, expected volatility of 104%, risk free interest rate of 3.12% and expected life of 4 years.

(vi) On July 20, 2023, the Company granted stock options to a certain officer of the Company to purchase up to 225,000 common shares of the Company, exercisable at a price of $0.29 (C$0.38) per share and expiring on July 20, 2027. These options will vest over the span of three years, with 112,500 to be vested on the first anniversary of the date of grant, 56,250 to be vested on the second anniversary of the date of grant, and the remaining 56,250 to be vested on the third anniversary of the date of grant.

The fair value was determined to be $14,161 using the Black-Scholes option pricing model with the following assumptions: stock price of $0.11 (C$0.15), dividend yield of 0%, expected volatility of 100%, risk free interest rate of 3.96% and expected life of 4 years.

(vii) During the year ended December 31, 2023, 2,760,000 (year ended December 31, 2022 - 500,000) of the stock options granted on September 17, 2021, 660,000 (year ended December 31, 2022 - 660,000) of the stock options granted on February 2, 2022, 660,000 (year ended December 31, 2022 - nil) of the stock options granted on May 16, 2022, and 2,695,000 (year ended December 31, 2022 - nil) of the stock options granted on December 1, 2022 were forfeited.

During the year ended December 31, 2023, the Company recorded share-based compensation expense of $383,780 (year ended December 31, 2022 - $632,045) related to stock options.

The following table reflects the actual stock options issued and outstanding as of December 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	1.33	2,640,000	1,980,000	660,000
February 2, 2026	$0.38	2.09	990,000	495,000	495,000
June 28, 2026	$0.38	2.49	660,000	330,000	330,000
December 1, 2026	$0.29	2.92	2,765,000	1,382,500	1,382,500
April 1, 2027	$0.29	3.25	650,000	-	650,000
July 20, 2027	$0.29	3.55	225,000	-	225,000
	$0.31	**2.30**	**7,930,000**	**4,187,500**	**3,742,500**

(Expressed in United States Dollars)

15. Warrants

The following table reflects the continuity of warrants for the years ended December 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 12 & 13(b)(i))	26,450,000	0.55
Balance, December 31, 2022	**43,209,870**	**$ 0.67**
Granted in the Offering (Notes 12 & 13(b)(ii))	15,525,000	0.34
Granted in the Private Placement (Note 13(b)(iii))	31,095,000	0.09
Balance, December 31, 2023	**89,829,870**	**$ 0.41**

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

Number of Warrants	Exercise Price	Expiry Date
26,450,000	$ 0.53	February 2, 2024
16,759,870	$ 0.90	April 15, 2024
15,525,000	$ 0.34	February 9, 2026
29,348,275	$ 0.09	November 10, 2026
1,746,725	$ 0.09	December 7, 2026
89,829,870	**$ 0.41**	

16. Net loss per common share

The calculation of basic and diluted loss per share for the year ended December 31, 2023 was based on the loss attributable to common shareholders of $2,596,991 (year ended December 31, 2022 - $5,262,122) and the weighted average number of basic common shares outstanding of 222,498,262 (year ended December 31, 2022 - 181,637,120). For the year ended December 31, 2023 and 2022, all potential dilutive stock options and warrants were excluded from the diluted loss per share calculations as they are anti-dilutive.

(Expressed in United States Dollars)

17. 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, 2023	Year Ended December 31, 2022
Management salaries (i)	**$ 915,457**	$ 782,370
Director and chair fees (ii)	**207,551**	278,864
Severance fee (iii)	**174,649**	-
Share-based compensation (Note 14)	**269,343**	464,202
	$ 1,567,000	$ 1,525,436

(i) During the year ended December 31, 2023, management salaries of $548,502 (year ended December 31, 2022 - $568,922) were expensed as salaries and benefits, and $366,955 (year ended December 31, 2022 - $213,448) were capitalized as exploration and evaluation costs.

(ii) During the year ended December 31, 2023, director and chair fees of $207,551 (year ended December 31, 2022 - $278,864) were expensed as salaries and benefits.

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

(iv) During the year ended December 31, 2023, services provided by C H Plenge & CIA S SA (company related to one of the directors) of $90,479 were capitalized as exploration and evaluation costs. Included in the December 31, 2023 amounts payable and other payables is $88,776 due to the related party.

(v) 2,330,999 Units issued in the Offering (Note 13(b)(ii)) and 21,600,000 Units issued in the Private Placement (Note 13(b)(iii)) were issued to related parties.

18. Financial expenses

	Year Ended December 31, 2023	Year Ended December 31, 2022
Bank charges	**$ 14,621**	$ 16,934
Interest (income) expense	**(1,566)**	7,076
Accretion on Trafigura loan payable (Note 11)	**-**	519,099
	$ 13,055	$ 543,109

(Expressed in United States Dollars)

19. 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, 2023 and 2022 are as follows:

	As at December 31, 2023		
	Canada	Peru	Total
Current assets	$ 3,753,416	$ 1,532,334	$ 5,285,750
Exploration and evaluation assets	-	24,220,518	24,220,518
Non-current assets	1,693	3,852,053	3,853,746
Total assets	**$ 3,755,109**	**$ 29,604,905**	**$ 33,360,014**
Current liabilities	$ 20,468	$ 1,549,863	$ 1,570,331
Non-current liabilities	921,686	-	921,686
Total liabilities	**$ 942,154**	**$ 1,549,863**	**$ 2,492,017**

	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**

	Year Ended December 31, 2023		
	Canada	Peru	Total
Expenses	$ (2,373,191)	$ (1,540,444)	$ (3,913,635)
Other income	1,155,881	160,763	1,316,644
Net loss for the year	**$ (1,217,310)**	**$ (1,379,681)**	**$ (2,596,991)**

	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
Net loss for the year	**$ (1,468,390)**	**$ (3,793,732)**	**$ (5,262,122)**

(Expressed in United States Dollars)

20. General and administrative

	Year Ended December 31, 2023	2022
Administrative expenses	**$ 272,034**	$ 702,979
Advertising and marketing	**371,290**	379,401
Depreciation (Note 7)	**10,073**	225,885
Environmental fees	**-**	81,136
Filing and listing fees	**202,058**	334,306
Insurance	**159,645**	250,924
Operational expenses	**104,295**	1,169,779
Professional fees	**1,079,642**	1,005,684
Salaries and benefits (Note 17)	**1,261,592**	1,455,051
Travel, meals and entertainment	**69,226**	152,551
	$ 3,529,855	$ 5,757,696

Certain amounts for the year ended December 31, 2022 have been reclassified for presentation purposes.

21. 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, 2023	2022
Loss before income taxes	**$ (2,596,991)**	$ (5,262,122)
Expected income tax recovery based on statutory rate	**(746,839)**	(1,508,274)
Adjustments to expected income tax recovery:		
Stock based compensation	**160,338**	167,492
Unrealized losses	**10,869**	-
Rate differential	**(50,923)**	(83,220)
Unrealized gain on warrant	**(318,060)**	(679,125)
Change in deferred income tax asset not recognized	**944,615**	2,103,127
Income tax expense (recovery)	**$ -**	$ -

Deferred Income Taxes Assets (Liabilities)

As at December 31,	**2023**	**2022**
Capital assets	**$ 408**	$ 24,183
Mineral assets	**(2,226,966)**	(2,775,594)
Share issuance costs and other	**461,022**	452,678
Canadian non-capital losses carried forward	**1,638,262**	998,831
Foreign losses carried forward	**5,350,845**	5,513,491
Deferred tax assets	**5,223,571**	4,213,589
Less: Deferred tax assets not recognized	**(5,223,571)**	(4,213,589)
Net deferred tax assets (liabilities)	**$ -**	$ -

(Expressed in United States Dollars)

21. 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, 2023, the non-capital losses expire as follows:

Year	Amount
2041	$ 258,372
2042	3,389,193
2043	2,534,556
	$ 6,182,121

22. 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 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.

23. Commitments

In December 2023 the Company signed the 20 year community agreement with the Castrovirreyna community granting use of land for the planned 2025 restart of Reliquias Mine. This is a PEN 354,000 (PEN 300,000 plus VAT) annual commitment starting 2024 for every year over 20 years.

24. Subsequent events

(i) On February 22, 2024, the Company granted stock options to certain directors, officers and employees of the Company to purchase up to 7,400,000 common shares of the Company, exercisable at a price of $0.10 per share and expiring February 22, 2028. These options will vest at the later of:

- the first anniversary of the date of grant; or
- the mining operations reaching commercial operation as defined by the operations reaching an average mining rate of 400 tonnes per day over a period of 30 days.

(ii) On April 18, 2024, the Company qualified the distribution of up to 81,818,500 units of the Company (the "Units") at a price of $0.11 per Unit for aggregate gross proceeds of up to $9,000,035. Each Unit consists 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 $0.135 per Common Share for a period of 48 months following the closing date of the offering.

The Company has granted the agents an over-allotment option exercisable in whole or in part, to purchase up to an addition 15% of the number of Units of the offering on the same terms, at any time up to 30 days following the closing date of the offering.

The offering is expected to close on or about April 24, 2024 and is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory and stock exchange approvals, including the approval of the TSX Venture Exchange.