



SILVER MOUNTAIN RESOURCES INC.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**THREE MONTHS ENDED
MARCH 31, 2024 AND 2023**

**(EXPRESSED IN UNITED STATES DOLLARS)
(UNAUDITED)**



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Report of Independent Registered Public Accounting Firm

To the Members of the Audit Committee:

In accordance with our engagement letter dated April 24, 2024, we have performed an interim review of the condensed interim consolidated statement of financial position of Silver Mountain Resources Inc. (the "Company") as at March 31, 2024, the condensed interim consolidated statements of net and comprehensive loss for the three month periods ended March 31, 2024 and 2023, and the condensed interim consolidated statements of changes in shareholders' equity and cash flows for the three-month periods ended March 31, 2024 and 2023. These condensed interim consolidated financial statements are the responsibility of the Company's management.

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

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

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

We have previously audited, in accordance with Canadian generally accepted auditing standards, the consolidated statement of financial position of Silver Mountain Resources Inc. as at December 31, 2023, and the related consolidated statements of loss and other comprehensive loss, changes in equity and cash flows for the year then ended (not presented herein). In our report dated April 25, 2024, we expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of financial position as at December 31, 2023, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

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

BDO Canada LLP

Chartered Professional Accountants
Vancouver, British Columbia

May 23, 2024

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

	As at March 31, 2024	As at December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,101,132	\$ 4,660,229
Restricted cash (Note 3)	1,016,559	267,206
Amounts receivable and other assets	74,086	66,030
Prepaid expenses	288,865	292,285
	3,480,642	5,285,750
Non-current assets		
Property, plant, and equipment (Note 4)	337,921	356,858
Exploration and evaluation costs (Note 5)	25,246,340	24,220,518
Tax credits (Note 6)	3,650,008	3,496,888
Total assets	\$ 32,714,911	\$ 33,360,014
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Amounts payable and other payables (Note 7)	\$ 1,684,014	\$ 1,570,331
Warrant liabilities (Note 8)	285,932	
	1,969,946	1,570,331
Non-current liabilities		
Warrant liabilities (Note 8)	-	921,686
Total liabilities	1,969,946	2,492,017
Shareholders' equity		
Share capital (Note 9)	42,077,668	42,077,668
Contributed surplus (Note 10)	1,192,073	1,105,370
Deficit	(12,524,776)	(12,315,041)
Total shareholders' equity	30,744,965	30,867,997
Total liabilities and shareholders' equity	\$ 32,714,911	\$ 33,360,014

Nature of operations and going concern (Note 1)
Contingencies (Note 17)
Commitments (Note 18)
Subsequent event (Note 19)

Approved on behalf of the Board:

"Timothy Loftsgard", Director

"Alfredo Plenge Thorne", Director

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

	Three Months Ended March 31,	
	2024	2023
Operating expenses		
General and administrative (Note 16)	\$ 704,160	\$ 1,174,146
Share-based compensation (Notes 10 & 13)	86,703	265,747
Operating loss before the following items	(790,863)	(1,439,893)
Financial income (expenses) (Note 14)	3,047	(8,816)
Foreign exchange loss	(34,897)	(38,778)
Gain on expiry of warrant liabilities (Note 8)	98,301	-
Unrealized gain on revaluation of warrant liabilities (Note 8)	514,677	1,310,249
Net and comprehensive loss for the period	\$ (209,735)	\$ (177,238)
Basic and diluted loss per share (Note 12)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted (Note 12)	279,659,860	203,669,860

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

	Three Months Ended	
	March 31,	
	2024	2023
Operating activities		
Net loss for the period	\$ (209,735)	\$ (177,238)
Items not affecting cash		
Depreciation	1,315	876
Unrealized foreign exchange (gain) loss	647	(3,843)
Unrealized gain on revaluation of warrant liabilities	(514,677)	(1,310,249)
Currency translation effect on revaluation of warrant liabilities	(22,776)	(12,491)
Gain on expiry of warrant liabilities	(98,301)	-
Share-based compensation	86,703	265,747
Changes in non-cash working capital items:		
Amounts receivable and other assets	(161,176)	(272,955)
Prepaid expenses	3,420	(204,385)
Amounts payable and other payables	159,348	242,178
Net cash and cash equivalents used in operating activities	(755,232)	(1,472,360)
Investing activities		
Exploration and evaluation cost additions	(1,034,318)	(1,480,634)
Purchase of mining concessions	(16,625)	-
Purchase of property, plant, and equipment	(2,922)	(28,521)
Restricted cash	(750,000)	(262,809)
Net cash and cash equivalents used in investing activities	(1,803,865)	(1,771,964)
Financing activities		
Proceeds from issuance of units in Offering, net of costs	-	6,551,089
Net cash and cash equivalents provided by financing activities	-	6,551,089
Net change in cash and cash equivalents	(2,559,097)	3,306,765
Cash and cash equivalents, beginning of period	4,660,229	8,770,989
Cash and cash equivalents, end of period	\$ 2,101,132	\$ 12,077,754
Composition of cash and cash equivalents:		
Cash	\$ 2,031,664	\$ 12,008,198
Cash equivalents	69,468	69,556
	\$ 2,101,132	\$ 12,077,754
Non-cash investing items not included in cash flows:		
Depreciation capitalized to exploration and evaluation costs	\$ 20,544	\$ 52,821
Change in exploration and evaluation costs accrued	\$ (45,158)	\$ 185,250

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

	Share Capital		Contributed Surplus	Deficit	Total
	Number	Amount			
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 (Note 9(b)(i))	31,050,000	4,924,172	-	-	4,924,172
Share based compensation (Note 10)	-	-	265,747	-	265,747
Net loss for the period	-	-	-	(177,238)	(177,238)
Balance, March 31, 2023	217,469,860	\$ 39,210,419	\$ 1,011,787	\$ (10,089,790)	\$ 30,132,416
Balance, December 31, 2023	279,659,860	\$ 42,077,668	\$ 1,105,370	\$ (12,315,041)	\$ 30,867,997
Share based compensation (Note 10)	-	-	86,703	-	86,703
Net loss for the period	-	-	-	(209,735)	(209,735)
Balance, March 31, 2024	279,659,860	\$ 42,077,668	\$ 1,192,073	\$ (12,524,776)	\$ 30,744,965

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

Silver Mountain Resources Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2024
(Expressed in United States Dollars)

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 condensed interim 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 \$12,524,776 at March 31, 2024 (December 31, 2023 - \$12,315,041). For the three months ended March 31, 2024, the Company incurred a net loss of \$209,735 (2023 - \$177,238). 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 9(b)(i)), and on November 10, 2023, the Company closed a non-brokered private placement for gross proceeds of \$3,109,500. On April 24, 2024, the Company closed the 2024 prospectus offering and issued 87,638,928 units at a price of C\$0.11 per unit, for aggregate gross proceeds of C\$9,640,282, including the partial exercise by the agents of the over-allotment option to purchase an additional 5,820,428 units. 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 condensed interim 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 condensed interim consolidated financial statements of the Company for the three months ended March 31, 2024 were approved and authorized for issue by the Board of Directors on May 23, 2024.

2. Material accounting policy information and basis of presentation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with our audited financial statements for the year ended December 31, 2023.

The same accounting policies and methods of computation are followed in these condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2023, except in relation to the Company's presentation of warrant liabilities (Note 11).

As the Company adopted the presentation requirements under IAS 1 pertaining to the classification of liabilities as current or non-current effective January 1, 2024, these warrant liabilities have been presented as current on March 31, 2024 since the Company does not have the right at that date to defer settlement of this liability for at least twelve months after March 31, 2024.

Silver Mountain Resources Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2024
(Expressed in United States Dollars)

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

(b) Basis of preparation

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

(c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its 99.99%- owned subsidiary, Sociedad Minera Reliquias S.A.C. (“AGMR Peru”), which was acquired on May 7, 2021 in conjunction with the RTO Transaction. Pursuant to Peruvian General Corporate Law requirements that a Peruvian company have more than one shareholder, in September 2021, the Company issued 1 common shares in AGMR Peru for PEN 1.00 to a shareholder of the Company. Because this non-controlling interest in AGMR Peru is not material, it has not been recorded in the Company’s condensed interim consolidated financial statements.

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

(d) 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. Restricted cash

During the three months ended March 31, 2024, the Company increased its restricted cash deposit by \$750,000 (PEN 2,785,500) (three months ended March 31, 2023 - \$262,809 (PEN 990,000)) which corresponds to short-term fixed deposits that mature at the beginning of April 2024. At March 31, 2024, the Company held \$1,016,559 (PEN 3,775,500) (December 31, 2023 - \$267,206 (PEN 990,000)) in a cash deposit including a guaranty on behalf of Peruvian Ministry of Mines (MINEM) in connection with 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, 2022	\$ 241,597
Additions	262,809
Returned	(248,514)
Foreign exchange gain	11,314
Balance, December 31, 2023	\$ 267,206
Additions	750,000
Foreign exchange loss	(647)
Balance, March 31, 2024	\$ 1,016,559

Silver Mountain Resources Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2024
(Expressed in United States Dollars)

4. Property, plant, and equipment

Cost	Land	Building and facilities	Mining equipment	Office equipment and furniture	Total
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
Additions	-	-	-	2,922	2,922
Balance, March 31, 2024	\$ 36,041	\$ 151,544	\$ 859,610	\$ 247,952	\$ 1,295,147
Accumulated depreciation					
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
Depreciation expense	-	4,152	7,553	10,154	21,859
Balance, March 31, 2024	\$ -	\$ 72,253	\$ 795,488	\$ 89,485	\$ 957,226
Carrying value					
Balance, December 31, 2023	\$ 36,041	\$ 83,443	\$ 71,675	\$ 165,699	\$ 356,858
Balance, March 31, 2024	\$ 36,041	\$ 79,291	\$ 64,122	\$ 158,467	\$ 337,921

5. Exploration and evaluation costs

In 2018, AGMR Peru acquired certain liquidated assets from Corporación Minera Castrovirreyna ("CMC") that comprised the Castrovirreyna Project ("the Project"). The Project is located near the town of Castrovirreyna, department of Huancavelica, province of Castrovirreyna, Peru. The Project includes mine infrastructure that supported the Reliquias and Caudalosa Grande underground operations, which were operated by CMC from 2005–2015. In that same year, AGMR Peru acquired the Project for \$7,160,000 and as consideration for the acquisition, the Company entered into a loan arrangement with Trafigura Pte. Ltd. ("Trafigura"), a creditor of CMC at the time of its liquidation.

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

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

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 three months ended March 31, 2024, the Company has centered around securing permits, solidifying community agreements and conducting maintenance activities at our mine site. There have been no activities related to infill or drilling during this period. The Company maintains its strategic focus on advancing toward productions and exploring potential avenues for additional resource acquisition.

Silver Mountain Resources Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2024
(Expressed in United States Dollars)

5. Exploration and evaluation costs (continued)

Dorita

At the Dorita block of properties, exploration work consisted of more than 14 km² 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 led to the completion of a NI 43-101 compliant technical report, identifying historical resources in the central property of the project.

	<u>As at March 31, 2024</u>			<u>As at December 31, 2023</u>		
	Acquisition Costs	Exploration Costs	Total	Acquisition Costs	Exploration Costs	Total
Reliquias	\$ 2,753,370	\$18,177,322	\$20,930,692	\$ 2,750,630	\$17,168,125	\$19,918,755
Greenfield - Dorita	1,471,924	2,139,881	3,611,805	1,470,915	2,139,881	3,610,796
Other	399,472	304,371	703,843	386,596	304,371	690,967
	\$ 4,624,766	\$20,621,574	\$25,246,340	\$ 4,608,141	\$19,612,377	\$24,220,518

	Reliquias	Greenfield - Dorita	Other	Total
Balance, December 31, 2022	\$ 11,386,736	\$ 3,524,381	\$ 690,220	\$ 15,601,337
Exploration costs				
Depreciation (Note 4)	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	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

Silver Mountain Resources Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2024
(Expressed in United States Dollars)

5. Exploration and evaluation costs (continued)

	Reliquias	Greenfield - Dorita	Other	Total
Balance, December 31, 2023	\$ 19,918,755	\$ 3,610,796	\$ 690,967	\$ 24,220,518
Exploration costs				
Depreciation (Note 4)	20,544	-	-	20,544
Mine rehabilitation	287,157	-	-	287,157
General on-site expenses	233,202	-	-	233,202
Geological mapping, sampling & other	4,929	-	-	4,929
Right of use	14,143	-	-	14,143
Salaries and benefits (Note 13)	280,753	-	-	280,753
Topography and geophysics	17,683	-	-	17,683
Complementary environmental services	150,786	-	-	150,786
	1,009,197	-	-	1,009,197
Acquisition costs				
Mining rights	2,740	1,009	12,876	16,625
Balance, March 31, 2024	\$ 20,930,692	\$ 3,611,805	\$ 703,843	\$ 25,246,340

- (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.

6. Tax credits

As of March 31, 2024, the Company maintains in its non-current assets a tax credit for general sales tax (IGV, Impuesto General a las Ventas, in Spanish) of \$3,650,008 (December 31, 2023 - \$3,496,888), that will be applied to the IGV generated by local sales. If sales are exported, the Company has the right to request the refund of the value-added tax as a Balance in Favor Matter of Benefit of the Exporter with a limit of 18 percent of the exported freight on board value. According to Peruvian Tax Legislation, IGV does not have an expiration date.

7. Amounts payable and other payables

	As at March 31, 2024	As at December 31, 2023
Trade accounts payable	\$ 954,403	\$ 910,973
Taxes payable	39,550	39,929
Accrued liabilities	549,559	556,820
Other amounts payable	140,502	62,609
	\$ 1,684,014	\$ 1,570,331

Silver Mountain Resources Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2024
(Expressed in United States Dollars)

8. Warrant liabilities

	As at March 31, 2024	As at December 31, 2023
Balance, beginning of period	\$ 921,686	\$ 488,201
Issuance of warrants (Note 9)	-	1,626,917
Unrealized gain on revaluation	(514,677)	(1,200,225)
Currency translation effect	(22,776)	6,793
Gain on expiry of warrant liabilities	(98,301)	-
Balance, end of period	\$ 285,932	\$ 921,686

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 9). Upon commencement of the warrants trading on the TSXV on February 27, 2023, the trading value was used to determine the fair value estimate for subsequent periods. As of March 31, 2024, these warrants were trading at a price of C\$0.025. 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 three month period ended March 31, 2023.

During the three months ended March 31, 2024, 26,450,000 warrants issued in connection with the Company's initial public offering on February 2, 2022 expired and the Company recorded a gain on expiry of warrant liabilities of \$98,301. These warrants were trading at a price of C\$0.005 on the expiry date.

9. 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 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 (Note 8).

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).

Silver Mountain Resources Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2024
(Expressed in United States Dollars)

10. 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 three months ended March 31, 2024 and 2023:

	Number of stock options	Weighted average exercise price
Balance, December 31, 2022	13,830,000	\$ 0.31
Forfeited (ii)	(500,000)	0.35
Balance, March 31, 2023	13,330,000	\$ 0.31
Balance, December 31, 2023	7,930,000	\$ 0.31
Granted (i)	7,400,000	0.07
Balance, March 31, 2024	15,330,000	\$ 0.19

(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 \$0.07 (C\$0.10) per share and expiring on 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.

The fair value was determined to be \$270,917 using the Black-Scholes option pricing model with the following assumptions: stock price of \$0.06 (C\$0.08), dividend yield of 0%, expected volatility of 100%, risk free interest rate of 3.72% and expected life of 4 years.

(ii) During the three months ended March 31, 2024, nil (three months ended March 31, 2023 - 500,000) of the stock options granted on September 17, 2021 were forfeited.

During the three months ended March 31, 2024, the Company recorded share-based compensation expense of \$86,703 (three months ended March 31, 2023 - \$265,747) related to stock options.

The following table reflects the actual stock options issued and outstanding as of March 31, 2024:

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	1.08	2,640,000	1,980,000	660,000
February 2, 2026	\$0.37	1.84	990,000	742,500	247,500
June 28, 2026	\$0.37	2.24	660,000	330,000	330,000
December 1, 2026	\$0.28	2.67	2,765,000	1,382,500	1,382,500
April 1, 2027	\$0.28	3.00	650,000	-	650,000
July 20, 2027	\$0.28	3.30	225,000	-	225,000
February 22, 2028	\$0.07	3.90	7,400,000	-	7,400,000
	\$0.19	2.94	15,330,000	4,435,000	10,895,000

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11. Warrants

The following table reflects the continuity of warrants for the three months ended March 31, 2024 and 2023:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2022	43,209,870	\$ 0.67
Granted in the Offering (Notes 8 & 9(b)(i))	15,525,000	0.34
Balance, March 31, 2023	58,734,870	\$ 0.58
Balance, December 31, 2023	89,829,870	\$ 0.41
Expired (Note 8)	(26,450,000)	0.52
Balance, March 31, 2024	63,379,870	\$ 0.36

The following table reflects the actual warrants issued and outstanding as of March 31, 2024:

Number of Warrants	Exercise Price	Expiry Date
16,759,870	\$ 0.90	April 15, 2024
15,525,000	\$ 0.33	February 9, 2026
29,348,275	\$ 0.09	November 10, 2026
1,746,725	\$ 0.09	December 7, 2026
63,379,870	\$ 0.36	

12. Net loss per common share

The calculation of basic and diluted loss per share for the three months ended March 31, 2024 was based on the loss attributable to common shareholders of \$209,735 (three months ended March 31, 2023 - \$177,238) and the weighted average number of basic common shares outstanding of 279,659,860 (three months ended March 31, 2023 - 203,669,860). For the three months ended March 31, 2024 and 2023, all potential dilutive stock options and warrants were excluded from the diluted loss per share calculations as they are anti-dilutive.

13. 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.

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13. Related party transactions (continued)

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

	Three Months Ended	
	March 31,	
	2024	2023
Management salaries (i)	\$ 320,147	\$ 229,094
Director and chair fees (ii)	48,750	64,270
Severance fee (iii)	-	174,649
Share-based compensation (Note 10)	62,581	203,858
	\$ 431,478	\$ 671,871

- (i) During the three months ended March 31, 2024, management salaries of \$222,636 (three months ended March 31, 2023 - \$163,521) were expensed as salaries and benefits, and \$97,511 (three months ended March 31, 2023 - \$65,573) were capitalized as exploration and evaluation costs.
- (ii) During the three months ended March 31, 2024, director and chair fees of \$48,750 (three months ended March 31, 2023 - \$64,270) were expensed as salaries and benefits.
- (iii) During the three months ended March 31, 2024, severance fee of \$nil (three months ended March 31, 2023 - \$174,649) to a certain officer of the Company was paid and expensed as salaries and benefits.
- (iv) During the three months ended March 31, 2024, services provided by C H Plenge & CIA S SA (company related to one of the directors) of \$nil (three months ended March 31, 2023 - \$1,702) were capitalized as exploration and evaluation costs. Included in the March 31, 2024 amounts payable and other payables is \$88,776 (December 31, 2023 - \$88,776) due to this related party.
- (v) 2,330,999 Units issued in the Offering (Note 9(b)(i)) were issued to related parties.

14. Financial (income) expenses

	Three Months Ended	
	March 31,	
	2024	2023
Bank charges	\$ (1,069)	\$ (8,932)
Interest income	4,116	116
	\$ 3,047	\$ (8,816)

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15. 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 three months ended March 31, 2024 and 2023 are as follows:

	As at March 31, 2024		
	Canada	Peru	Total
Current assets	\$ 2,062,138	\$ 1,418,504	\$ 3,480,642
Exploration and evaluation assets	-	25,246,340	25,246,340
Non-current assets	1,491	3,986,438	3,987,929
Total assets	\$ 2,063,629	\$ 30,651,282	\$ 32,714,911
Current liabilities	\$ 121,259	\$ 1,562,755	\$ 1,684,014
Non-current liabilities	285,932	-	285,932
Total liabilities	\$ 407,191	\$ 1,562,755	\$ 1,969,946

	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

	Three Months Ended March 31, 2024		
	Canada	Peru	Total
Expenses	\$ (350,211)	\$ (440,653)	\$ (790,864)
Other income	606,991	(25,862)	581,129
Net loss for the period	\$ 256,780	\$ (466,515)	\$ (209,735)

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

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16. General and administrative

	Three Months Ended March 31,	
	2024	2023
Administrative expenses	\$ 50,101	\$ 65,844
Advertising and marketing	31,038	93,245
Depreciation (Note 4)	1,315	876
Environmental fees	-	531
Filing and listing fees	14,901	126,465
Insurance	22,950	62,976
Operational expenses	18,090	14,911
Professional fees	183,057	319,670
Salaries and benefits (Note 13)	381,202	436,558
Travel, meals and entertainment	1,506	53,070
	\$ 704,160	\$ 1,174,146

17. Contingencies

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

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

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

As the Company has not commenced any mining operations as at March 31, 2024, no provision for decommissioning has been recognized in these condensed interim consolidated financial statements. Upon both the approval of the Company's Mine Closure Plan and the commencement of mining operations, a provision for decommissioning will be recognized. Current estimates made by management are that the budget for remediation activities could be between \$9.5M and \$12.5M and that the estimated Life of Mine could be between 10 and 15 years.

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

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

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18. 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 the Reliquias Mine. This is a \$95,547 (PEN 354,000) annual commitment starting 2024 for every year over 20 years.

19. Subsequent events

On April 24, 2024, the Company closed its prospectus offering (the "Prospectus Offering") of 81,818,500 units of the Company at a price of \$0.08 (C\$0.11) per Unit (the "Prospectus Offering Price"), for gross proceeds of \$6,564,626 (C\$9,000,035). The Company also issued an additional 5,820,428 Units at the Prospectus Offering Price for additional gross proceeds of \$466,996 (C\$640,247) in connection with the partial exercise of the over-allotment option.

Each Unit is comprised of one Common Share and one Warrant. Each Warrant is exercisable into one Common Share at a price of \$0.10 (C\$0.135) per Common Share and expires on April 24, 2026.

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 will be presented as a liability upon their issuance on April 24, 2024 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 \$6,540,824 (C\$8,967,403), net of agents' commissions of \$392,325 (C\$537,873) and other costs of \$98,473 (C\$135,006).

On April 24, 2024, the Company announced that the TSX Venture Exchange (the "TSXV") has accepted for listing 87,638,928 common share purchase warrants for trading on the TSXV. Such Warrants are being issued pursuant to a prospectus supplement dated April 18, 2024.