ANNUAL REPORT 2023

SILVER MOUNTAIN RESOURCES INC.

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CONTENT

STATEMENT OF LIABILITY

This document provides comprehensive and accurate information about the business development of Silver Mountain Resources Inc. for the year 2023. While the Company remains accountable for its operations and disclosures, the undersigned has meticulously prepared this report, ensuring it adheres to all pertinent legal standards and requirements. The information contained herein is presented with the utmost diligence and integrity, reflecting the actual state of the Company's affairs to the best of our knowledge and belief.

Lima, November 5th, 2024

Luis Alvaro Espinoza Vargas
Chief Executive Officer

MESSAGE FROM OUR CEO

Dear Shareholders and Readers,

It is with great pleasure and a sense of optimism that I address you on behalf of Silver Mountain Resources Inc. As the Chief Executive Officer, I am honored to share our recent accomplishments and future aspirations, and to invite you to join us on our journey towards becoming a premier silver mining exploration Company.

Silver Mountain Resources Inc. has deep roots in the rich mining history of Castrovirreyna, Peru, where abundant silver deposits have been mined since colonial times. Our Company has evolved significantly since its founding in 1942, overcoming challenges such as fluctuating silver prices and temporary operational halts. Through strategic acquisitions, including the Reliquias Mining Unit in 2018 and the Lira de Plata project in 2022, we have solidified our position in the industry.

Our shares are traded on the TSX Venture Exchange under the symbol "AGMR," with our warrants listed as "AGMR.WT.A" and "AGMR.WT.B." This market presence underscores our commitment to transparency and shareholder value. While our corporate headquarters are in Toronto, Canada, our operations are primarily focused in the Huancavelica region of Central Peru, a highly prospective area for mining operations.

Our vision is to elevate industry standards in silver production through responsible mining practices, maximizing returns for our shareholders, and enhancing long-term stakeholder value. We aim to achieve this by leveraging cutting-edge technology and maintaining a steadfast commitment to Environmental, Social, and Governance (ESG) principles. Our talented team, consisting of approximately 40 employees and consultants, is the backbone of our operations, driving innovation and excellence in every project.

Our financial stability is bolstered by a robust capital structure, with 367.3 million shares outstanding, 15.3 million stock options, and 134.3 million warrants. This strong capital base positions us well for future growth and expansion. Our experienced Board of Directors and management team bring a wealth of knowledge and expertise to the Company, enabling us to navigate the complexities of the industry and capitalize on emerging opportunities.

Our principal business objectives are the acquisition, exploration, and development of precious metal resource properties. The Castrovirreyna Project remains our focal point, where we plan to restart production at the Reliquias underground mine and aggressively explore the surrounding areas. The mining industry is highly competitive, but we distinguish ourselves through our commitment to responsible mining practices, our extensive experience, and our strategic acquisitions. By maintaining a competitive edge, we aim to maximize shareholder value and contribute positively to the communities in which we operate.

The mining sector is fraught with risks, from fluctuating silver prices to geopolitical uncertainties. However, we are proactive in our approach to risk management, continuously adapting our strategies to mitigate potential impacts. Our commitment to compliance with environmental regulations and maintaining strong community relations is paramount. As we look to the future, we see tremendous potential for growth and value creation. Our strategic focus on the Castrovirreyna Project, combined with our experienced team and robust financial position, makes Silver Mountain Resources Inc. a compelling investment opportunity.

We invite you to be part of our journey as we strive to become a leading producer of silver, setting new standards in the industry and delivering sustainable value to our shareholders. Thank you for your continued support and confidence in Silver Mountain Resources Inc. Together, we will achieve great heights and unlock the full potential of our resources.

Yours sincerely,

Luis Alvaro Espinoza Vargas
Chief Executive Officer
Silver Mountain Resources Inc.

1 OUR COMPANY

SECTION I: OUR COMPANY

1.1. History

The mining district of Castrovirreyna boasts a rich history of silver production dating back to colonial times. The city of Castrovirreyna was founded in 1592, driven by the influx of miners who brought silver to the city for processing.

In 1942, Compañía Minera Castrovirreyna (CMC) was established with the primary objective of operating the Reliquias and Caudalosa Grande mines. By July 1980, the "Jose Picasso Perata" processing plant was authorized to commence operations with an installed capacity of 500 tons per day, marking a significant milestone in the Company's development. However, due to a sharp decline in silver prices and other economic factors, operations at the Reliquias Mine were suspended in 1992.

In 2004, CMC embarked on a comprehensive rehabilitation project for the underground Reliquias Mine. This involved reopening historical workings along its principal veins, including Sacasipuedes, Matacaballo, Mete y Saca, and Perseguida Oeste, at levels 440, 480, 520, and 560. These efforts were aimed at exploration through diamond drilling and continued mine workings along the veins. In 2009, large-scale mining operations employing sub-level stoping techniques were implemented, further enhancing the mine's productivity.

In 2010, approval was granted for the restart and expansion of the installed capacity of the José Picasso Perata Mill, increasing it from 550 to 2,000 dry metric tonnes per day. This expansion underscored the Company's commitment to enhancing its processing capabilities. However, the significant drop in silver prices in 2015 led to a reduction in mining production at the Reliquias Mine.

On April 4, 2017, operations at the Reliquias Mining Unit and the José Picasso Perata Mill were halted due to insolvency and liquidation. This marked a challenging period for the Company.

In June 2018, Sociedad Minera Reliquias S.A.C. acquired the assets of the Reliquias Mining Unit, including mining concessions and infrastructure, through a direct agreement with Trafigura. This acquisition marked the beginning of a new chapter.

In November 2022, Sociedad Minera Reliquias acquired 100% ownership of the Lira de Plata project from Pan American Silver. This acquisition included the historic Lira de Plata mine and 14 mining concessions covering ten mineralized structures with strike lengths ranging from 100 meters to 575 meters, as documented by Lewis (1964). This strategic acquisition significantly bolstered our exploration and development portfolio.

Throughout our history, Silver Mountain Resources Inc. has demonstrated resilience and adaptability in the face of industry challenges. Our strategic acquisitions, rigorous rehabilitation efforts, and commitment to expanding our operational capacity underscore our dedication to becoming a leading producer of silver. We continue to build on our rich heritage, leveraging our extensive experience and robust infrastructure to drive future growth and value creation for our shareholders.

1.2. Corporate Structure

Silver Mountain Resources Inc. (the "Company") was incorporated under the Canada Business Corporations Act (the "CBCA") on January 28, 2021, initially under the name "Roxy Mining Corp." On March 5, 2021, the Company changed its name to "Silver Mountain Resources Inc." Subsequently, on November 15, 2021, the Company filed articles of amendment to implement a 10:1 split of its issued and outstanding common shares (the "Share Split"), remove certain transfer restrictions, and authorize the board of directors to appoint additional directors between annual meetings. The Company's head and registered office is located at 82 Richmond Street East, Toronto, Ontario, Canada M5C 1P1.

The common shares of the Company (the "Common Shares") are listed for trading on the TSX Venture Exchange ("TSXV") under the symbol "AGMR." The Company has also issued two series of Common Share purchase warrants. The 2022 Warrants, issued on February 2, 2022, in connection with the Company's initial public offering (IPO), are listed on the TSXV under the symbol "AGMR.WT." The 2023 Warrants, issued on February 9, 2023, in connection with the Bought Deal Offering, are listed on the TSXV under the symbol "AGMR.WT.A." This public market presence underscores our commitment to transparency and shareholder value.

The Company's sole subsidiary is Sociedad Minera Reliquias S.A.C. ("AGMR Peru"), a closed stock Company incorporated under the laws of the Republic of Peru. AGMR Peru was acquired pursuant to a share exchange agreement dated April 8, 2021 (the "Share Exchange Agreement"), by and among the Company and the previous shareholders of AGMR Peru. This acquisition was a strategic move to enhance our portfolio with significant mining assets.

AGMR Peru owns the mineral project located near the town of Castrovirreyna, in the department of Huancavelica, province of Castrovirreyna, Peru (the "Castrovirreyna Project" or the “Reliquias Mine”). The Company holds a 99.99% ownership interest in AGMR Peru, adhering to the Peruvian General Corporate Law requirement for multiple shareholders. Consequently, the one share of AGMR Peru not owned by the Company is held by Mula Mining Corp., a shareholder of the Company. This structure ensures compliance with local regulations while maintaining effective control over our operations in Peru.

The strategic acquisition of AGMR Peru has strengthened our position in the mining industry, providing a solid foundation for growth and development. Our focus on the Castrovirreyna Project, coupled with our robust capital structure and experienced management team, positions us well to navigate the complexities of the mining sector and capitalize on emerging opportunities.

Below is an organizational chart outlining the inter-corporate relationships between the Company and its subsidiary, including details of the jurisdiction of formation of each entity:

Silver Mountain Resources Inc.

(Canada)

99.99%

Sociedad Minera Reliquias S.A.C.

(Peru)

This corporate structure enables us to effectively manage our operations and pursue our strategic objectives, ensuring the alignment of our subsidiary's activities with the Company's overall mission and vision.

1.3. Our Vision and Mission

At Silver Mountain Resources Inc., we strive to integrate mining as an opportunity for sustainable development in a constantly evolving environment. Our vision and mission embody our corporate philosophy and guide our fundamental purpose:

Vision

We aspire to be globally recognized as an intelligent and reliable Company, focused on elevating industry standards in silver production through responsible mining practices. Our aim is to maximize returns for our shareholders while enhancing long-term stakeholder value. By leveraging our expertise and innovative approaches, we seek to drive growth and establish a prominent presence in the silver mining sector in the Americas.

Mission

Our mission is to incorporate mining into a dynamic world as an opportunity for sustainable development. We are driven by the goal of becoming a premier silver mining exploration Company and a leading producer of silver. Through the utilization of cutting-edge technology and a steadfast commitment to Environmental, Social, and Governance (ESG) principles, we are dedicated to producing high-quality silver products. We focus on minimizing environmental impact and creating significant social value, leaving a lasting positive legacy.

Our approach encompasses:

- Innovation: Employing the latest technological advancements to enhance efficiency and productivity.
- Sustainability: Adhering to best practices that ensure minimal environmental disruption and promote long-term ecological balance.
- Responsibility: Upholding stringent safety standards and fostering transparent and ethical business practices.
- Community Engagement: Building strong relationships with local communities and contributing to their socio-economic development.
- Value Creation: Delivering superior returns to our shareholders through strategic growth and operational excellence.

Through these commitments, Silver Mountain Resources Inc. aims to set new benchmarks in the mining industry, consistently delivering value and contributing positively to the communities and environments in which we operate.

1.4. Mining Site Map

The Castrovirreyna Project is strategically located in the Huancavelica region of Central Peru, encompassing three mineral concession blocks known for their extensive deposits of silver-rich polymetallic veins and gold-rich breccias. Despite its rich historical mining activity, the Castrovirreyna Project remains significantly underexplored, presenting a compelling opportunity for substantial mineral discovery and resource expansion.

Silver Mountain Resources Inc. (AgMR) is poised to revitalize operations at the Reliquias underground mine as part of its strategic initiative for this highly prospective silver camp. The project boasts essential infrastructure, including a 2,000 tonnes per day (tpd) processing plant designed to efficiently extract and process ore from the region. Additionally, AgMR operates an operational tailings dam with ample capacity to sustain operations for at least two years at maximum throughput.

1.5. Our 2023

January 11
Announced additional drilling results from the Meteysaca vein at the Castrovirreyna Project.

February 9
Closed a $9.3 million bought deal offering.

March 28
Álvaro Espinoza appointed CEO; Alfredo Bazo resigned.

April 11
Announced Mineral Resource Estimate for the Reliquias Mine.

May 15
Filed Technical Report for Reliquias Mine.

September 27
Discovered the Natividad copper-rich vein.

October 12
Announced a private placement to raise up to $3 million.

November 21
Announced final results from the second phase of the 2023 drilling campaign.

1.6. Our Human Talent

As of December 31, 2023, Silver Mountain Resources Inc. employed a team of approximately 40 full-time employees and engaged the expertise of 2 consultants/contractors, bringing the total workforce to 42 individuals dedicated to advancing our strategic objectives. As of the current date, our workforce comprises approximately 37 full-time employees and 2 consultants/contractors, totaling 39 individuals committed to driving our Company forward.

Our team members and consultants collectively embody a wealth of specialized knowledge and experience crucial to our mission of becoming a premier silver mining exploration Company. They play integral roles in every aspect of our operations, from exploration and resource development to environmental stewardship and community engagement.

At Silver Mountain Resources Inc., we prioritize fostering a culture of innovation, collaboration, and continuous improvement among our workforces. Through ongoing professional development initiatives and a commitment to safety and ethical standards, we empower our team to achieve operational excellence and sustainable growth.

Our human capital strategy emphasizes:

- Talent Development: Investing in the skills and capabilities of our employees through targeted training programs and career advancement opportunities.
- Diversity and Inclusion: Promoting a diverse workforce that reflects the communities in which we operate, fostering creativity and different perspectives.
- Health and Safety: Ensuring the well-being of our employees by maintaining rigorous health and safety standards across all operations.
- Stakeholder Engagement: Nurturing strong relationships with our employees, consultants, local communities, and stakeholders based on transparency, respect, and mutual benefit.

As we continue to expand our operations and pursue new opportunities, our dedicated team remains instrumental in realizing our vision of sustainable mining practices and long-term stakeholder value creation.

1.7. Capital Structure

Shares Outstanding	367.3 M
Stocks Options	15.3 M
Warrants	134.3
Fully Diluted Shares	516.9

The authorized share capital of Silver Mountain Resources Inc. consists of an unlimited number of Common Shares and an unlimited number of Class B non-voting common shares (the "Non-Voting Shares"). As of December 31, 2023, there were 279,659,860 Common Shares issued and outstanding, and no Non-Voting Shares issued. Below is a summary of the rights, privileges, restrictions, and conditions attached to the Common Shares and Non-Voting Shares, as well as other outstanding securities of the Company.

Common Shares

All Common Shares rank equally in terms of voting rights and participation in the distribution of the Company's assets upon liquidation, dissolution, or winding-up. Each Common Share carries the right to one vote on all matters submitted to a vote of the shareholders, except for meetings at which only holders of another class or series of shares are entitled to vote. Holders of Common Shares receive notice of, and have the right to attend and vote at, all shareholder meetings. In the event of the liquidation, dissolution, or winding-up of the Company, or any other distribution of the Company's assets among its shareholders for the purpose of winding up its affairs, holders of Common Shares will be entitled to receive all remaining assets on a pro rata basis after the Company has paid all of its liabilities.

Non-Voting Shares

Non-Voting Shares do not carry voting rights, meaning holders do not have the right to receive notice of, attend, or vote at shareholder meetings, except as required by the CBCA. However, Non-Voting Shares are entitled to receive dividends as declared by the Board of Directors. The Board has the discretion to declare dividends on any class of shares, giving priority to or excluding any other class of shares. In the event of the Company's liquidation, dissolution, or winding-up, holders of Non-Voting Shares, subject to the rights of any other class of shares, are entitled to share equally, share for share, in the distribution of the Company's assets.

Warrants

The Company also has outstanding warrants, which provide holders the right to purchase Common Shares under specified conditions. Common Share purchase warrants issued on February 9, 2023, in connection with a bought deal offering are listed on the TSXV under the symbol "AGMR.WT.A". Additionally, Common Share purchase warrants issued on April 24, 2024, are listed on the TSXV under the symbol "AGMR.WT.B".

The Company has outstanding warrants, which provide holders the right to purchase Common Shares under specified conditions. There are three categories of warrants:

- 87,638,928 warrants with an exercise price of CAD 0.135, issued on April 24, 2024.
- 31,095,000 warrants with an exercise price of USD 0.09, issued on November 10, 2023.
- 15,525,000 warrants with an exercise price of CAD 0.45, issued on February 9, 2023.

These warrants offer a mechanism for raising capital and potentially provide value to shareholders by enabling warrant holders to participate in the Company's equity.

In addition to Common Shares, Non-Voting Shares, and warrants, the Company may issue other securities, including preferred shares, options, and other financial instruments. These securities are issued under terms and conditions that the Board of Directors determines are in the best interests of the Company and its shareholders.

2 BOARD OF DIRECTORS & MANAGEMENT TEAM

SECTION II: BOARD OF DIRECTORS AND MANAGEMENT TEAM

The following table provides detailed information on each of the Company's directors and executive officers as of today's date. This includes their names, places of residence (province or state and country), positions within the Company, principal occupations over the past five years, and, if applicable, the date they became directors of the Company. Directors are expected to serve until the next annual general meeting of shareholders unless they resign or are removed by shareholders before then. Directors are elected annually and will retire at the end of the next annual general meeting unless re-elected.

Under National Instrument 52-110 - Audit Committees ("NI 52-110"), an independent director is defined as someone who is free from any direct or indirect relationship that could, in the view of the Board, reasonably interfere with the director's independent judgment. Currently, the Company has six directors who meet these criteria: Alfredo Plenge Thorne, Julio Jose Arce Ortiz, Juan Carlos Ortiz, W. John DeCooman Jr., Timothy Loftsgard and Gerardo Fernandez.

Jose Vizquerra, due to his familial relationship with Alfredo Bazo, the former Chief Executive Officer of the Company, is not considered independent. This relationship could be perceived as a potential influence on his judgment.

Name and Residence	Position	Since	Occupation (Last Five Years)[1]
Julio Jose Arce Ortiz[2][4][6] Lima, Peru	Director	January 2021	Former trader at Trafigura Beheer BV.
Alfredo Plenge Thorne[2][3][4][5][6] Lima, Peru	Director	January 2021	Former CEO at Corporacion Minera and former CFO and Minerals Marketing Manager at Sociedad Minera El Brocal.
Jose Vizquerra[3][4][5] Ontario, Canada	Director and Chairman	January 2021	President, CEO, and a director of O3 Mining Inc. and Executive Vice President of Strategic Development and director at Osisko Mining Inc
Juan Carlos Ortiz[4][5][6][7] Lima, Peru	Director	June 2022	VP Operations (COO) at Cia de Minas Buenaventura SAA
Timothy Loftsgard[2][3][4] Ontario, Canada	Director	June 2023	Managing Director and Head of Lazard Canada.
W. John DeCooman Jr. Colorado, USA	Director	January 2024	President and CEO of Sweetwater Royalties Senior Vice President for Business Development and Strategy at SSR Mining
Gerardo Fernandez Ontario, Canada	Director	June 2024	Chief Development Officer of Allied Gold Corporation and former Senior Vice President of Corporate Development & Investor Relations of Yamana Gold Inc
Alvaro Espinoza Lima, Peru	CEO	March 2023	Former CEO at Cautivo Mining Inc, CFO at Coripuno SAC
Alejandra Soto Lima, Peru	CFO	July 2023	Former CFO at Alpayana and Head of finance of Nexa Resources

Notes:
(1) The information as to principal occupation, business or employment of the respective nominees is not within the knowledge of the management of the Company and has been furnished by the respective nominees.
(2) Member of the compensation committee of the Board (the "Compensation Committee").
(3) Member of the audit committee of the Board (the "Audit Committee").
(4) Member of the operations and development committee of the Board (the "Operations and Development Committee").
(5) Member of the corporate governance committee of the Board (the "Corporate Governance Committee").
(6) Member of the sustainable development committee of the Board (the "Sustainable Development Committee").
(7) Lead independent director.

As of the date of this Annual Report, the directors and executive officers of the Company, collectively, beneficially own, directly or indirectly, or exercise control or direction over **73,437,152** Common Shares. This represents approximately **19.99**% of the total number of Common Shares outstanding, excluding the potential impact of convertible securities held by these directors and executive officers. The figures regarding the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers as a group, are based on information provided by the directors and executive officers through The System for Electronic Disclosure by Insiders (SEDI).

2.2. Board Committees

The Company currently has five standing committees: the Audit Committee, Compensation Committee, Corporate Governance Committee, Operations and Development Committee, and Sustainable Development Committee. Beyond these, the Company does not have any other standing committees. Each committee plays a crucial role in the governance and strategic direction of the Company, ensuring that various aspects of its operations are managed effectively and in alignment with best practices.

The Audit Committee is responsible for overseeing the financial reporting process, internal controls, and the audit process. It ensures the integrity of the Company's financial statements and compliance with legal and regulatory requirements.

The Compensation Committee focuses on establishing and reviewing the compensation policies and programs for the Company's directors and executive officers. This includes determining appropriate remuneration to attract and retain top talent while aligning with the Company's goals and shareholder interests.

The Corporate Governance Committee is tasked with ensuring the Company adheres to high standards of corporate governance. This involves developing, implementing, and monitoring governance policies and practices, as well as overseeing the nomination process for directors.

The Operations and Development Committee oversees the Company's operational activities and development projects. It is responsible for evaluating and guiding the execution of strategies related to the Company's growth, including project management, resource allocation, and operational efficiency.

The Sustainable Development Committee is dedicated to promoting and integrating sustainable development practices within the Company. This committee ensures that the Company's operations are environmentally responsible, socially equitable, and economically viable. It focuses on initiatives that enhance the Company's sustainability performance and stakeholder engagement.

Each of these committees is essential to the Company's governance framework, contributing to its overall success and commitment to best practices.

Compensation Committee

The Compensation Committee is currently comprised of Timothy Loftsgard (Chair), Alfredo Plenge Thorne, and Julio Jose Arce Ortiz. According to applicable Canadian securities legislation, all of the members are considered independent.

No member of the Compensation Committee is an officer of the Company. Consequently, the Board believes that the Compensation Committee can conduct its activities in an objective and impartial manner.

The Board has adopted a written charter that outlines the purpose, composition, authority, and responsibilities of the Compensation Committee. The primary purpose of the Compensation Committee is to assist the Board in various key areas, including:

- Overseeing the Structure and Effectiveness: Ensuring the effectiveness of the Compensation Committee, its membership, and the activities delegated to it.
- Reviewing and Approving Compensation Packages: Including goals and objectives against which bonuses are assessed for the Chief Executive Officer and his direct reports.
- Recommending Compensation Decisions: Reviewing and recommending to the Board for approval of annual cash bonuses and incentive stock option allocations.
- Ensuring Competitive Compensation Practices: Reviewing the Company’s compensation practices and policies to ensure they are competitive and provide appropriate motivation for corporate performance and increased shareholder value. Making recommendations to the Board as necessary.
- Surveying Executive Compensation Practices: Periodically surveying the executive compensation practices of comparable companies and reporting back to the Board.

- Evaluating Risk Implications: Annually reviewing and evaluating the implications of the risks associated with the Company's compensation policies and practices and identifying practices that mitigate such risks.
- Overseeing Compensation Programs: Administering the Company's compensation programs.
- Recommending Changes to Compensation Programs: Making recommendations to the Board regarding the adoption, amendment, or termination of compensation programs.
- Reviewing Director and Officer Compensation: Annually reviewing and making recommendations regarding the compensation of directors, the Chair, the independent lead director (if any), and committee chairs to ensure their compensation reflects their responsibilities.
- Reviewing Liability Insurance Policies: Annually reviewing and making recommendations regarding the Company’s directors’ and officers’ liability insurance policies.
- Establishing Share Ownership Guidelines: Recommending share ownership guidelines for senior executives and policies regarding the number and type of boards senior executives may join.
- Preparing the Annual Report on Executive Compensation: Reviewing and recommending for approval the annual report on executive compensation required by applicable corporate and securities legislation, regulations, and rules.
- Investigating Other Matters: At the request of the Board, investigating and reporting on other matters as deemed necessary or appropriate.
- Additional Duties: Carrying out other duties as reasonably requested by the Board.

By adhering to these responsibilities, the Compensation Committee plays a vital role in ensuring that the Company's compensation policies and practices are fair, competitive, and aligned with the best interests of shareholders and other stakeholders.

Corporate Governance Committee

The Corporate Governance Committee is currently comprised of Juan Carlos Ortiz (Chair), Jose Vizquerra, and Alfredo Plenge Thorne. In accordance with applicable Canadian securities legislation, two members—Juan Carlos Ortiz and Alfredo Plenge Thorne—are considered independent. Jose Vizquerra, however, is not classified as independent.

The Board has adopted a written charter that outlines the purpose, composition, authority, and responsibilities of the Corporate Governance Committee. The primary purpose of the Corporate Governance Committee is to assist the Company and the Board in fulfilling their respective corporate governance responsibilities under applicable securities laws, instruments, rules, and mandatory policies and regulatory requirements. The Committee also promotes a culture of integrity throughout the Company.

The Corporate Governance Committee is responsible for:

- Reviewing Material Transactions: Considering or presenting to the Board for consideration any material transaction involving the Company, and any "related party" as defined by applicable securities laws.
- Monitoring Compliance: Ensuring compliance with and enforcing the Company's related party transaction policy.
- Reporting on Related Party Transactions: Monitoring any material related party transaction and regularly reporting the status to the Board.
- Establishing Guidelines: If advisable, establishing guidelines and parameters for engaging in related party transactions without specific prior approval from the Committee or the Board.
- Ensuring Board Independence: Monitoring the appropriateness of structures to ensure that the Board can function independently of senior officers.
- Director Orientation and Education: Providing an orientation and education program for new directors, covering the role of the Board and its committees, the nature of the Company's business, and the contributions expected from individual directors.
- Continuing Education: Offering continuing education opportunities to existing directors to help them maintain and enhance their abilities and stay informed about the Company's business.
- Access to Independent Advisors: Responding to and, if appropriate, authorizing requests from individual directors to engage independent counsel or other experts at the Company's expense.
- Reviewing Liability Insurance: Annually reviewing the directors' and officers' third-party liability insurance, in collaboration with the Audit Committee.
- Assessing the Charter: Periodically reviewing and assessing the adequacy of the Committee's charter and submitting any proposed amendments to the Board for consideration.
- Reviewing Mandates, Codes, and Policies: Reviewing and assessing the adequacy of other mandates, codes, or policies of the Company as specifically requested by the Board.

Through these responsibilities, the Corporate Governance Committee plays a vital role in maintaining high standards of corporate governance, ensuring regulatory compliance, and fostering an environment of ethical conduct and integrity within the Company.

Operations and Development Committee

The Operations and Development Committee is currently comprised of five members of the Board. Among its members, Alfredo Plenge Thorne, Juan Carlos Ortiz, Julio Jose Arce Ortiz and Timothy Loftsgard are considered independent in accordance with applicable Canadian securities legislation. Jose Vizquerra is not considered independent.

The Board has adopted a written charter that outlines the purpose, composition, authority, and responsibilities of the Operations and Development Committee. The primary purpose of the Committee is to assist the Board in overseeing the development and operation of the Company's mining activities. This includes:

- Mine Development: Guiding the strategic development of mining projects.
- Production and Production Planning: Overseeing production processes and future production plans.
- Operational Optimization and Business Model Structuring: Ensuring efficient operation and effective business model structuring.
- Cost Control and Reduction: Implementing measures for cost control and reduction.
- Logistics and Transportation: Managing logistics and transportation efficiently.
- Technical Studies and Projects: Overseeing technical studies and projects.
- Operational Risks: Identifying and managing operational risks.

The responsibilities of the Operations and Development Committee include:

- Strategy Development and Progress Monitoring: Developing strategies and monitoring progress regarding the development of the Company's mines and mineral projects.
- Performance Review: Periodically reviewing the performance of the Company's development activities and mining operations. This includes mine plans, life-of-mine estimates, critical performance indicators, updated mineral reserve and resource estimates, capital expenditures (capex), operating costs, cost reduction measures, and continuous improvement programs.
- Exploration Program Review: Periodically reviewing the performance of the Company's exploration programs, including drill results and program outcomes.
- Business Opportunities: Reviewing potential business opportunities related to the acquisition and disposition of mineral claims.

- Operational and Business Changes: Reviewing proposed changes and monitoring aspects of the Company's mining and business operations, including operational optimization, production system optimization, technical and engineering studies, project execution, and logistic studies.
- Budget and Capital Expenditures: Reviewing and recommending for Board approval any budget and capital expenditures proposed for technical and engineering projects and studies at the mining operations.
- Production Quality Issues: In the event of a material production quality problem, receiving and reviewing a report from management detailing the nature of the problem and remedial action being taken, and making recommendations to the Board as appropriate.
- Risk and Opportunity Review: Reviewing significant technical risks, mitigation strategies, and opportunities associated with the Company's mines and projects.
- New Projects and Acquisitions: Reviewing the technical merits associated with potential new projects or acquisitions.

By fulfilling these responsibilities, the Operations and Development Committee plays a crucial role in ensuring the Company's mining operations are conducted efficiently, cost-effectively, and in alignment with strategic goals. This comprehensive oversight helps maintain high standards of operational excellence and supports the Company's long-term success.

Sustainable Development Committee

The Sustainable Development Committee is currently composed of Alfredo Plenge Thorne, Juan Carlos Ortiz, and Julio Jose Arce Ortiz (Chair). All of the members are considered independent under applicable Canadian securities legislation.

The Board has adopted a written charter defining the purpose, composition, authority, and responsibilities of the Sustainable Development Committee. The Committee’s primary purpose is to support the Board in overseeing the sustainability of the Company's activities, with a focus on health and safety, environmental management, community relations, permitting, and addressing illegal and informal mining.

Health and Safety Responsibilities:

- Program Review and Recommendations: Reviewing and making recommendations on the Company's safety and health program, including occupational health and safety policies and procedures.

- Emergency Preparedness: Directing management to develop, maintain, and update first aid and emergency response plans for each project.
- Accident Reporting: Directing management to establish procedures for the efficient reporting of on-site accidents.
- Performance Assessment: Reviewing safety and health performance to assess program effectiveness, report significant issues to the Board, and ensure compliance with evolving safety laws and regulations.
- Training and Education: Ensuring management provides education programs on health and safety hazards and facilitates employee participation in developing and reporting health and safety standards.

Environmental Responsibilities:

- Environmental Management Review: Reviewing and recommending actions regarding the Company's environmental management program and policies.
- Regulatory Compliance: Monitoring changes in environmental laws and regulations, and overseeing management's response.
- Incident Reporting: Receiving and reviewing reports on environmental incidents to assess the effectiveness of management procedures and make recommendations for improvements.
- Liability and Management Systems: Evaluating potential environmental liabilities and the adequacy of the environmental management system.
- Employee Training: Directing management to develop and maintain education programs on environmental hazards and ensure proper tools and training for employees.
- Standards Development: Ensuring management promotes employee participation in developing environmental standards and provides reporting procedures for breaches.

Community Responsibilities:

- Social Policy Development: Recommending actions for developing social policies and programs for community engagement and ensuring adherence to these policies.
- Stakeholder Engagement: Promoting meaningful and transparent communication with communities and stakeholders to build trust and beneficial relationships.
- Community Concerns: Directing management to address community concerns related to health, safety, or environmental issues.

- Local Law Compliance: Monitoring changes in local laws affecting the Company and overseeing management's response.
- Social Responsibility Performance: Reviewing reports on corporate social responsibility programs and performance to assess effectiveness.
- Standards and Practices: Ensuring management facilitates employee participation in developing community relations standards and provides reporting procedures for breaches.

Permitting Responsibilities:

- Permit Status Review: Obtaining information from management on the status of development permits and applications, and ensuring compliance with laws.
- Strategy Development: Developing strategies and procedures for advancing permits and applications, including compliance with legal requirements.
- Regulatory Communication: Communicating with regulatory authorities about permits and applications, with potential delegation to employees or consultants.
- Resource Recommendations: Recommending additional resources needed for permit advancement or recommending the abandonment of permits.
- New Permits: Advising on additional permits the Company should seek.

Illegal and Informal Mining Responsibilities:

- Activity Monitoring: Requesting information on illegal or informal mining activities within the Company's operations or area of influence.
- Preventive Measures: Developing strategies to prevent or limit illegal or informal mining activities.
- Action Recommendations: Advising on measures to address identified illegal or informal mining activities.
- Legal Action: Recommending legal actions or lawsuits regarding illegal or informal mining activities.

Through these comprehensive responsibilities, the Sustainable Development Committee plays a crucial role in ensuring that the Company’s operations are conducted sustainably, ethically, and in compliance with legal and regulatory requirements. This approach helps foster a culture of responsibility and integrity throughout the Company.

3 BUSINESS STRATEGY

SECTION III: BUSINESS STRATEGY

Summary

The Company's primary business objectives center on the acquisition, exploration, and development of high-value precious metal resource properties. The Company's flagship asset is a 99.99% ownership stake in AGMR Peru. This majority interest aligns with Peruvian General Corporate Law, which mandates that AGMR Peru maintain at least two shareholders. Consequently, the Company retains ownership of all but one share of AGMR Peru, with the remaining share held by Mula Mining Corp., a shareholder in the Company.

Since its inception, the Company has dedicated its efforts to the exploration and development of the Castrovirreyna Project. This focus extends to securing equity capital to fund these endeavors, ensuring robust financial support for ongoing and future operations. The Company benefits from a Board distinguished by its extensive experience and market credibility, alongside an exploration and development team renowned for its success in establishing high-grade, profitable underground mining operations.

Specialized Skill and Knowledge

The Company's operations necessitate a high level of specialized skills and knowledge, particularly as it embarks on the development of an underground mining operation at the Castrovirreyna Project, with potential for additional mining ventures. Key areas of expertise required include geology, engineering, mine planning, metallurgical processing, project management, mine operations, risk management, and socio-environmental compliance.

To attract and retain top-tier professionals with these critical skills, the Company offers competitive remuneration and comprehensive compensation packages. This strategic approach has proven effective in meeting the staffing needs essential for the Company's operations, thereby supporting its ambitious goals and ensuring continued progress in its mining projects.

Competitive Conditions

The precious metal exploration and mining sector is characterized by intense competition. The Company operates in an environment with numerous competitors, including several large, well-established mining companies that possess substantial financial and technical resources. This competitive landscape can impact the Company's ability to secure attractive mineral properties, potentially placing it at a disadvantage relative to larger industry players.

The Company's future success in acquiring new mineral properties will depend significantly on its ability to effectively advance and develop the Castrovirreyna Project. Additionally, the Company's competitiveness is influenced by the terms and conditions of its arrangements with third parties. Beyond property acquisition, the Company also contends with competition for raw materials, supplies, skilled personnel, and transportation capacity. For more details on the competitive landscape and associated risks, please refer to the section titled "Risk Factors — Risks Related to the Company and to Mineral Exploration and Development — Competition with other mining companies is intense."

Cycles

Operating year-round in the high-altitude Andean region presents unique challenges. The Company has designed its business and operational plans to address these challenges effectively, but inherent risks remain. For a comprehensive discussion of these risks, please see the section titled "Risk Factors — Risks Related to the Company and to Mineral Exploration and Development."

The demand for and price of silver are subject to volatility, influenced by factors beyond the Company's control. Fluctuations in silver prices can impact the Company's financial performance. Please refer to "Risk Factors — Risks Related to the Company and to Mineral Exploration and Development — The future price of silver is uncertain and may be lower than expected" for further insights into this aspect.

Restructuring Transactions

Since its establishment, the Company has engaged in only one significant restructuring transaction: the acquisition of AGMR Peru. This strategic acquisition was pivotal in advancing the Company's operational and financial goals by enhancing its asset portfolio and expanding its exploration and development capabilities in the precious metals sector.

The AGMR Peru acquisition involved a comprehensive review and alignment of corporate structures, resource allocations, and strategic objectives to integrate the new asset effectively into the Company's existing framework. This restructuring was executed with the intent of optimizing the Company's operational efficiency and positioning it for future growth within the competitive mining industry.

As of the current financial year, the Company has not proposed or initiated any further material restructuring transactions. The management remains focused on leveraging the current asset base, including AGMR Peru, to maximize operational efficiency and shareholder value. The Company's strategic direction for the immediate future does not include plans for additional restructuring, allowing for a stable and focused approach to its ongoing and planned activities.

Bankruptcy Proceedings

The Company and its subsidiaries have not been subject to any bankruptcy, receivership, or similar legal proceedings, either voluntarily or involuntarily, at any point in time. This includes a clean record over the past three financial years, reflecting the Company’s solid financial management and operational stability.

This absence of bankruptcy or receivership proceedings underscores the Company's commitment to maintaining robust financial health and adhering to prudent business practices. The Company continues to monitor and manage its financial risks diligently, ensuring that it remains in a strong position to meet its obligations and pursue its strategic objectives without the encumbrance of financial distress.

Environmental Protection

The Company adheres to all applicable environmental regulations relevant to its exploration, development, construction, and operational activities. This adherence is part of the Company’s broader commitment to responsible and sustainable mining practices, which includes ensuring compliance with environmental standards and mitigating any potential impacts associated with its operations.

Throughout the fiscal year ending December 31, 2023, the Company has effectively managed its environmental responsibilities. The financial and operational impacts of meeting environmental requirements have been minimal, reflecting the Company's proactive approach to integrating environmental considerations into its planning and execution processes.

The Company’s environmental compliance efforts are comprehensive, encompassing regular monitoring, reporting, and updates to align with evolving regulations and standards. This commitment helps to safeguard natural resources, reduce environmental footprints, and enhance community relations, reinforcing the Company's dedication to sustainable development.

Foreign Operations

Doing Business in Peru

Peru, a democratic republic, operates under a government elected through democratic processes, with the President serving a five-year term. This political stability is a critical factor for foreign companies looking to operate within the country.

Under the General Mining Law, Peru provides a framework for mining companies to acquire clear and secure titles to mining concessions. These concessions grant the right to explore and exploit mineral resources, although surface land rights remain distinct from mining rights. The Peruvian government retains ownership of mineral resources in situ, while the concession holder acquires ownership of the minerals extracted.

To operate a mine in Peru, companies must either negotiate agreements with the owners of the surface land or establish easements for mining purposes. Mining concessions in Peru facilitate both exploration and exploitation activities.

Mining rights in Peru are transferable with minimal restrictions; however, such transfers must be registered with the Public Mining Register and the Ministry of Energy and Mines. A notable restriction is that foreigners are prohibited from acquiring or holding mining concessions within 50 kilometers of Peru's borders unless an exception is granted by the President through a Supreme Decree based on public necessity or national interest.

The sale of mineral products in Peru is unrestricted, allowing companies to export without first fulfilling internal market requirements. Compliance with environmental regulations is mandatory. Before commencing operations, mining companies must file and obtain approval for an Environmental Impact Assessment (EIA), which addresses technical, environmental, and social aspects of the project.

The Environmental Evaluation and Oversight Agency (OEFA) is responsible for monitoring compliance with environmental standards. OEFA conducts audits and can impose fines on companies that fail to adhere to prescribed environmental requirements. Essential permits for mining projects typically include Start-Up Authorization, Certificate for the Inexistence of Archaeological Remains (CIRA), EIA, Mine Closure Plan, Beneficiation Concession, Water Usage Permits, and Rights over surface lands.

Taxation and Financial Regulations

Companies incorporated in Peru are subject to income tax on their worldwide taxable income. Foreign companies operating in Peru, as well as non-resident entities, are taxed only on their income derived from Peruvian sources. The corporate income tax rate stands at 29.5%. Mining companies fall under the general corporate income tax regime but may face an additional 2% premium if they have a stability agreement. Additionally, 50% of income tax paid is redistributed as "Canon" to regional and local authorities where the mine is situated.

Dividend distributions to non-residents and domiciled individuals are subject to a 5% tax rate, applicable to profits generated since January 1, 2017. Profits from previous years are taxed at different rates: 4.1% for profits up to December 31, 2014, and 6.8% for profits from January 1, 2015, to December 31, 2016.

Peru enforces transfer-pricing rules for both cross-border and domestic transactions involving related parties, as well as transactions with entities in tax-haven jurisdictions or non-cooperating jurisdictions. These rules also apply to transactions with parties benefiting from preferential tax regimes. Tax planning and strategies must be approved by the Board of Directors, a responsibility that cannot be delegated.

Peru has established double tax treaties with Brazil, Canada, Chile, South Korea, Mexico, Portugal, Switzerland, and Japan. The most recent treaty with Switzerland, effective from January 1, 2022, includes provisions for information exchange and tax collection assistance starting January 29, 2021. Agreements to avoid double taxation are also in place with Bolivia, Colombia, and Ecuador, members of the "Comunidad Andina."

Mining Royalties and Special Mining Tax

Since 2004, Peru mandates a Mining Royalty for the exploitation of both metallic and non-metallic minerals. This royalty is calculated quarterly based on the greater of: (a) a statutory scale of tax rates applied to the Company’s operating profit margin, ranging from 1% to 12%, or (b) 1% of net sales for the relevant quarter. Mining royalty payments are deductible for income tax purposes in the fiscal year they are made.

In addition to the Mining Royalty, a Special Mining Tax (SMT) applies to operating margin profit on a sliding scale with rates between 2.0% and 8.4%. This tax is payable quarterly and is assessed on profits from the sale of metallic mineral resources. SMT payments are also deductible for income tax purposes in the fiscal year in which they are made.

As all the Company's current projects are based in Peru, its operations are significantly dependent on the country's regulatory and economic environment.

RISK FACTORS

The Company faces a range of specific and general risks that could impact its operations and financial performance. These risks include, but are not limited to, those outlined below. Additional risks and uncertainties not currently known to the Company or not anticipated to be material may also arise, potentially impairing the Company's operations and financial results. Consequently, these factors could significantly affect the Company's business, results of operations, prospects, and overall financial condition. Readers are advised to review the risk factors detailed in the Company's most recent Annual Information Form (AIF). Together with the risks outlined here, these factors do not constitute a comprehensive list of all potential risks.

It is important to note that the risks and uncertainties described below are not exhaustive. Other risks, including those currently unknown to the Company or deemed immaterial at present, may also impact the Company's operations. If these unforeseen risks materialize, shareholders could face a loss of some or all of their investment. The Company's business, financial condition, liquidity, operational results, and growth prospects could be adversely affected, potentially undermining its ability to execute its strategic growth plans.

Investing in the Company's securities is speculative and entails a high level of risk. Such investments should only be considered by individuals whose financial resources are sufficient to absorb these risks and who do not require immediate liquidity from their investment. Investments in the Company's securities should not represent a significant portion of an individual's investment portfolio and should be made only by those who can afford to potentially lose their entire investment. Prospective investors should carefully evaluate the risk factors associated with the Company's securities, as well as the risk factors described elsewhere in this AIF.

Risks Related to the Company and to Mineral Exploration and Development

Recent events in Peru

Peruvian democracy continues to evolve amid ongoing challenges. Although the removal of former President Pedro Castillo over a year ago has been a significant event, the nation has demonstrated resilience in its efforts to address political instability. The recent resignation of six members of President Dina Boluarte’s cabinet, while representing a short-term obstacle, highlights the government's dedication to transparency and accountability.

The current democratic environment in Peru offers both opportunities and avenues for growth. Initiatives designed to enhance the legitimacy and effectiveness of political institutions, along with broader constitutional reforms, present potential for positive change. While fostering caution and prioritizing consensus-building are essential, efforts to strengthen the party system and establish robust checks and balances are vital to sustaining Peru's democratic stability.

For investors, these political developments signify a dynamic and evolving environment with associated risks and opportunities. While uncertainties may affect short-term performance, the ongoing evolution of Peru’s democratic framework can create long-term investment prospects and growth opportunities. It is crucial for investors to monitor these political changes closely, as they may impact operational outcomes, cash flow, and financial conditions for businesses operating in Peru.

Estimating Mineral Resources is risky

The Mineral Resources outlined in the Technical Report are estimates and should not be regarded as definitive assurances of future outcomes. The accuracy of these estimates cannot be guaranteed, and the anticipated tonnages and grades reported may not be realized. Mineral Resource estimates are subject to significant variability and may be influenced by a range of factors, including environmental conditions, permitting issues, legal matters, title disputes, taxation, socio-political factors, marketing conditions, and other uncertainties beyond the Company’s control.

Estimating Mineral Resources involves inherent uncertainties, with the process being largely subjective. The precision of these estimates relies on the quality and quantity of the available data, as well as the assumptions and judgments applied in the engineering and geological interpretation of that data. Variations between the estimated and actual size and characteristics of the Company's deposits may occur, necessitating adjustments or downward revisions based on further exploration, development work, drilling results, or actual production experiences.

Fluctuations in silver prices, changes in drilling results, metallurgical testing outcomes, revisions to mine plans, permitting requirements, or unforeseen technical or operational challenges may necessitate revisions to the Company's Mineral Resource estimates. These estimates are derived from drill hole data, which may not fully represent conditions between and around the drill holes. As additional geological and drilling information becomes available, or as actual production data is gathered, these estimates may require modification.

In the event of reductions in Mineral Resources, the Company may face significant financial impacts, such as a material write-down of its investment in the Castrovirreyna Project, a reduction in the carrying value of the project, or delays in development and production. Such changes could adversely affect the Castrovirreyna Project and the Company's overall business, financial condition, results of operations, cash flows, and prospects.

Mineral Resources should not be interpreted as guarantees of mine life or future profitability. The uncertainty inherent in estimating Mineral Resources means that the grades and tonnages forecasted may differ from actual outcomes. Material reductions in Mineral Resource estimates could significantly impact the Castrovirreyna Project and the Company's financial health and operational performance. Furthermore, Mineral Resources are distinct from Mineral Reserves and carry a higher degree of uncertainty regarding their existence and feasibility. Resources that have not been classified as Mineral Reserves do not demonstrate economic viability. There is no assurance that Mineral Resources will be upgraded to Proven or Probable Mineral Reserves, particularly those classified as Inferred, which carry a higher level of risk and are not subject to economic feasibility analysis. The potential for Inferred Mineral Resources to be upgraded remains speculative and uncertain.

Challenges in Securing Financing for Commercial Production

The development of the Castrovirreyna Project requires substantial capital investments, a significant challenge given the Company's financial situation. Since its inception, the Company has encountered persistent operating losses and possesses only finite financial resources. It has yet to generate any operating revenue and currently lacks a source of operating cash flow. As such, the Company may need to seek additional funds to advance the development of the Castrovirreyna Project, especially if faced with increased capital costs or diminished cash flows from production. This need for additional funding may also extend to other exploration and development initiatives.

In light of these challenges, the Company may explore raising funds through various means, such as equity or debt financings. However, there is no assurance that such funding will be available or obtainable on terms that are commercially reasonable. The uncertainty surrounding the availability of additional funding raises the risk of delays or even indefinite postponements in the progress of the Castrovirreyna Project. Failure to secure necessary financing or obtaining it under unfavorable conditions could have a material adverse effect on the Company’s business, financial condition, results of operations, cash flows, and overall prospects.

The construction and initiation of new mining projects, such as the Castrovirreyna Project, are inherently risky endeavors. The successful realization of the project hinges on multiple factors, including the performance and availability of engineering and construction contractors, mining contractors, suppliers, and consultants. Furthermore, the Company must secure various approvals and permits, including those related to socio-environmental considerations, for the continued development and construction of the mining facilities and operations. The successful design, manufacture, delivery, and construction of the mine itself are also critical to the project's success.

Any delays or failures in performance by contractors, suppliers, consultants, or other essential parties could significantly impact the development and construction timelines of the Castrovirreyna Project. Similarly, any setbacks in obtaining required governmental approvals and permits in a timely manner or on reasonable terms could delay or hinder the project's advancement. Additionally, delays in completing and effectively operating the mining and processing components of the project could further postpone the start-up of commercial production and revenue-generating activities.

There can be no assurance that the development of the Castrovirreyna Project will be completed as scheduled or that the project will be constructed according to the anticipated plans. Furthermore, there is a risk that capital and operating costs may exceed the Company’s initial estimates, leading to potential financial strain. Any such issues or unforeseen obstacles could adversely impact the Company's business operations, financial condition, results of operations, cash flows, and overall future prospects, potentially undermining the long-term viability and success of the Castrovirreyna Project.

Potential Delays in Obtaining Permits for Proposed Drill Programs

The Company's planned drill programs are contingent upon obtaining necessary permits and approvals. The process of securing these permits may extend beyond the anticipated timeline, potentially delaying the initiation of the proposed drill programs. Such delays could arise from various factors, including bureaucratic inefficiencies, additional regulatory requirements, or unforeseen complications in the permit approval process. The extended timeframe or associated costs of obtaining these permits could significantly impact the Company's operations, potentially resulting in a material adverse effect on its business, financial condition, results of operations, and future prospects. Prolonged delays in starting the drill programs may impede the Company's ability to advance its exploration and development activities as planned, thus affecting overall project timelines and potentially altering strategic objectives.

Unrecognized Environmental or Compliance Issues Related to Historical Operations

The Castrovirreyna Project, with its extensive history of mining activities, may harbor environmental hazards that are not currently known to the Company. The project’s legacy of operations by previous owners or operators could have led to various forms of environmental contamination or damage that the Company may be obligated to address. These hazards could include soil and water contamination, hazardous waste deposits, or other forms of environmental degradation that were not fully remediated by prior operators.

The Company could face substantial liabilities related to the remediation of these historical environmental issues. The scope and cost of such remediation efforts could be significant, potentially requiring extensive environmental assessments, cleanup operations, and ongoing monitoring to address any contamination or damage. The financial implications of addressing these environmental concerns may include not only the direct costs associated with remediation but also indirect costs such as potential delays in project development and increased operational expenses.

Furthermore, the Company could be held legally liable for compensating parties who have been adversely affected by historical mining activities. This liability could encompass damages for property devaluation, health impacts, or other losses resulting from environmental harm. In addition to civil liability, the Company might face fines and penalties for non-compliance with environmental laws and regulations. These legal repercussions could be imposed regardless of whether the Company was directly responsible for the environmental issues or whether it was aware of them at the time.

The potential financial burden of such liabilities, including compensation claims, fines, and penalties, could have a materially adverse impact on the Company’s business operations and financial health. These costs could significantly affect the Company’s financial condition, results of operations, and cash flows. Additionally, the necessity to address historical environmental issues may divert resources and focus from the Company's core activities, potentially impacting its overall strategic objectives and future growth prospects.

The Company must be prepared to manage these potential liabilities and integrate them into its financial planning and risk management strategies. This includes conducting thorough environmental due diligence, developing comprehensive remediation plans, and ensuring compliance with all applicable environmental regulations to mitigate the impact of any unforeseen issues that may arise.

In summary, the historical mining activities at the Castrovirreyna Project present potential environmental liabilities that could pose significant financial and operational challenges for the Company. The need to address these issues could affect the Company's business operations, financial stability, and long-term prospects, underscoring the importance of proactive management and mitigation strategies.

Uncertainty in Future Silver Prices and Its Impact

The financial performance of the Company is intricately linked to the fluctuations in silver prices, which play a crucial role in determining future production levels, earnings, cash flows, and overall financial health. The price of silver is influenced by a complex interplay of factors that are largely beyond the Company's control. Key factors impacting silver prices include: (i) the economic performance and stability of major industrialized nations such as the United States, as well as emerging economies; (ii) global and regional political and economic conditions, including geopolitical tensions and economic policies that can affect market confidence; (iii) variations in the relative strength of the US dollar compared to other major currencies, as silver prices are often quoted in dollars and currency fluctuations can impact silver pricing; (iv) expectations of inflation, which can drive investment demand for silver as a hedge against rising prices; (v) prevailing and anticipated interest rates and exchange rates, which influence investment decisions and the cost of holding silver; (vi) the buying and selling activities of central banks, financial institutions, and other large market participants, which can create market pressure and volatility; (vii) the demand for silver in various applications, such as jewelry and industrial uses, which can affect the overall market demand; (viii) speculative investment activity in silver, including trades by investors and speculators aiming to profit from price movements; and (ix) supply and demand dynamics, including the availability of substitute materials, inventory levels, and carrying costs, all of which contribute to market equilibrium.

In recent years, silver prices have demonstrated considerable volatility, reflecting shifts in these influencing factors. Future declines in silver prices could have a significant adverse impact on the profitability of the Castrovirreyna Project. Such price declines may challenge the economic viability of the project, potentially rendering it less profitable or even economically unfeasible. Operating within a low silver price environment could lead to a material negative effect on the Company's financial stability, operational results, cash flows, and long-term prospects.

Lower silver prices could result in cash flows from mining operations falling short of projections, which might undermine the financial justification for continuing or initiating mining activities. This situation could necessitate the suspension of exploration and development efforts or halt commercial production entirely. In response to such financial pressures, the Company might be compelled to divest certain assets or portions of the Castrovirreyna Project to generate the necessary cash flow for ongoing operations.

The future economic viability of the Castrovirreyna Project is heavily contingent upon maintaining silver prices at levels that support project feasibility. Substantial and sustained declines in silver prices could necessitate significant write-downs of the Company's investment in the project, reflecting a reduction in the anticipated value and profitability of the project. Should silver prices remain depressed or decline further, the Company may be required to undertake a comprehensive reassessment of the project's economic viability. This reassessment process could lead to operational delays, interruptions in progress, or even the cessation of project activities if it is determined that the project is no longer economically viable.

Such potential developments could have a profound and far-reaching impact on the Company's business operations, financial condition, results of operations, cash flows, and overall long-term prospects. The need to address and adapt to fluctuating silver prices underscores the importance of strategic planning and risk management to mitigate the effects of market volatility and ensure the sustainability of the Company's operations.

Commercial viability may not be achieved even with an acceptable silver price

The Company's ability to successfully complete development work and launch a profitable commercial mining operation at the Castrovirreyna Project is influenced by a broad range of factors beyond merely achieving a favorable silver price. While an optimal silver price is essential for generating the revenue necessary for a profitable operation, several additional elements must align to ensure commercial viability. These factors include, but are not limited to:

- Infrastructure Adequacy: The development and operational success of the Castrovirreyna Project are heavily dependent on the existing infrastructure. This encompasses essential components such as transportation networks, power supply, water management systems, and communication channels. Inadequate or inefficient infrastructure can significantly impede progress and escalate operational costs.

- Geological Characteristics: The geological features of the project area, including ore body size, distribution, and grade, are critical in determining the feasibility and efficiency of mining operations. Variations from initial geological assessments or unforeseen geological challenges can impact both development timelines and overall costs.
- Weather Conditions: Prolonged periods of severe weather, including heavy rains, extreme temperatures, or natural disasters, can disrupt mining activities, delay construction, and incur additional costs. The project's ability to manage weather-related risks and adapt to environmental conditions is crucial for maintaining operational schedules.
- Metallurgical Properties: The characteristics of the ore, including its composition and processing requirements, play a significant role in the success of mining operations. Difficulties in processing the ore or unexpected metallurgical challenges can affect efficiency and profitability.
- Processing and Storage Capacity: The availability of adequate processing facilities and storage capacity is essential for managing ore and waste materials. Delays or limitations in these areas can impact the project's operational efficiency and financial performance.
- Equipment and Facilities: Timely procurement and maintenance of the necessary mining and processing equipment are crucial. Shortages, delays, or failures in equipment can hinder progress and increase costs.
- Consumables and Equipment Costs: The costs associated with consumables, such as fuel, reagents, and other operational materials, as well as mining and processing equipment, can fluctuate. Unexpected increases in these costs could strain the project budget and affect financial viability.
- Technological and Engineering Challenges: The project may face technological or engineering problems that were not anticipated during planning. Addressing these issues may require additional time and resources, potentially leading to cost overruns.
- Accidents and Security Risks: Accidents, sabotage, or acts of terrorism pose significant risks to the project. The Company must implement effective safety and security measures to mitigate these risks and protect its assets and personnel.
- Currency Fluctuations: Variations in currency exchange rates can impact the cost of imported goods and services, affecting the project's financial performance.
- Labour Availability and Productivity: The ability to attract, retain, and effectively utilize skilled labor is critical for project success. Labour shortages or inefficiencies can delay project milestones and increase operational costs.

- Regulatory and Political Factors: The mining industry is subject to regulation by various governmental and quasi-governmental bodies. Changes in regulations, permitting requirements, or political instability can affect project timelines and operational costs.
- Cost Overruns: Unforeseen expenses or significant cost overruns can render the project uneconomical. Effective cost management is essential to prevent such budgetary impacts.

Each of these factors presents potential challenges that could significantly impact the Company’s operational success and financial stability. If not managed effectively, these challenges could lead to substantial adverse effects on the Company's business operations, financial condition, results of operations, cash flows, and long-term prospects.

Management is acutely aware of these risks and is committed to implementing strategies to mitigate them. This includes continuously monitoring and optimizing operational processes to maintain cost efficiency, investing in robust infrastructure, and employing advanced technologies to manage and overcome geological and metallurgical challenges. By focusing on reducing operational costs and improving productivity, the Company aims to enhance overall project value and ensure the project's successful execution.

Despite these proactive measures, navigating the complex and multifaceted risks inherent in the project remains a critical aspect of the Company’s strategy. The Company is dedicated to addressing these risks head-on, ensuring that each factor is carefully managed to safeguard the project's sustainability and maximize its potential for long-term success.

The Company currently depends on a single mineral property

Currently, the Company’s primary focus and sole material mineral asset is the Castrovirreyna Project. This singular dependence on one mineral property represents a significant concentration of risk. Should any adverse developments occur with respect to the Castrovirreyna Project, the impact on the Company could be substantial. Such developments could include, but are not limited to, operational challenges, geological uncertainties, regulatory changes, or environmental issues affecting the property.

The reliance on a single mineral property means that the Company's financial stability, profitability, and overall performance are closely tied to the success and operational efficiency of the Castrovirreyna Project. Adverse changes affecting this property could therefore have far-reaching implications, potentially leading to a material and detrimental impact on the Company’s Mineral Resource production capabilities, profitability, financial health, and operational outcomes.

To mitigate this risk, it is crucial for the Company to consider diversifying its mineral property portfolio. Acquiring additional material properties or projects could help distribute risk more evenly and reduce the financial impact of potential adverse developments affecting any single asset.

The Company is subject to foreign operations risks

The Castrovirreyna Project is situated in Peru, a developing country that presents a unique set of challenges and risks associated with the exploration and development of mineral properties. As such, the Company is exposed to risks typical of operating in Peru, including political and economic instability. Historically, Peru has experienced periods of political turmoil and economic fluctuations, which could impact the Company’s operations in various ways.

Political stability and government regulations are critical factors influencing the Company's mineral exploration and development activities. Changes in the political landscape or government policies could affect the regulatory environment governing foreign investments and mining operations. Such changes may include alterations to the validity fees or penalties required to maintain mining property in good standing, increases in current tax rates or royalties, or the introduction of new taxes, contributions, or levies. These regulatory shifts are beyond the Company’s control and could impose additional financial burdens or operational constraints.

Moreover, the Company’s operations could be further impacted by factors such as terrorism, military conflict, or crime. Extreme fluctuations in currency exchange rates and high inflation rates could also affect the cost of doing business, potentially leading to increased operational costs and reduced financial stability.

The Peruvian government has granted the necessary permits for the Company’s current exploration activities. However, the ability to continue and expand these activities in the future is contingent upon the stability of the regulatory environment and political climate. Uncertainties in these areas may lead to unforeseen challenges, potentially affecting the Company's exploration and development plans.

To navigate these risks, the Company must remain vigilant and adaptable, continuously monitoring the political and economic landscape in Peru, and proactively managing regulatory compliance and operational strategies to mitigate potential adverse impacts.

The Company is subject to the Peruvian legal system

The Company operates within the legal framework of Peru, which introduces a range of potential risks and uncertainties. The Peruvian legal system may present challenges that could impact the Company's operations and business dealings. These risks include:

- Difficulty in Legal Redress: Achieving effective legal redress through the Peruvian courts can be challenging. This difficulty may arise in situations involving breaches of law or regulation, or in disputes concerning ownership. The process of seeking remedy may be more cumbersome and less predictable compared to other jurisdictions.
- Discretionary Powers of Governmental Authorities: Governmental authorities in Peru may exercise a higher degree of discretion, which could influence the interpretation and application of laws and regulations. This discretion can lead to unpredictable outcomes and affect the Company’s operations.
- Lack of Judicial and Administrative Guidance: There may be insufficient judicial or administrative guidance on the interpretation of applicable rules and regulations. This lack of clarity can create uncertainty in compliance and enforcement, impacting the Company’s ability to navigate legal requirements effectively.
- Inconsistencies in Legal Framework: The legal environment in Peru may exhibit inconsistencies or conflicts between various laws, regulations, decrees, orders, and resolutions. Such inconsistencies can complicate legal processes and affect the Company’s ability to operate smoothly.
- Inexperience of the Judiciary: The relative inexperience of the Peruvian judiciary and courts in handling complex legal matters, particularly those related to the mining industry, may result in unpredictable legal outcomes.

The commitment of local business stakeholders, government officials, and agencies to adhere to legal requirements and honor negotiated agreements may also be less certain in Peru. This uncertainty extends to licenses and agreements, which may be subject to revision or cancellation. Additionally, obtaining legal redress or resolving disputes may be uncertain or delayed due to the complexities of the Peruvian legal system.

There is no assurance that joint ventures, licenses, license applications, or other legal arrangements will remain unaffected by governmental actions or other external factors. The effectiveness and enforcement of such arrangements in Peru cannot be guaranteed, and the Company must be prepared to address these legal risks as part of its operational strategy.

Risks related to ILO Convention 169 compliance

The Company's operations may be situated in regions currently or historically inhabited by indigenous peoples. This geographic reality subjects the Company to a range of national and international regulations, including the Indigenous and Tribal Peoples Convention, 1989 ("ILO Convention 169"), as well as related Peruvian laws and regulations that incorporate the principles of ILO Convention 169 into the national legal framework. ILO Convention 169 mandates that governments engage in meaningful consultation with indigenous communities potentially affected by mining projects before granting any rights, permits, or approvals related to such projects that could impact their collective rights.

While ILO Convention 169 has been ratified by numerous Latin American countries, including Peru, there are potential challenges associated with its implementation and compliance. These challenges include:

- Implementation and Compliance Issues: Governments may not have established effective procedures to ensure compliance with ILO Convention 169. Even where such procedures are in place, there may be lapses in adherence to the requirements. This lack of effective implementation can lead to significant operational delays and increased costs for the Company, particularly in relation to the consultation process with indigenous communities.
- Consultation Process Costs and Delays: The requirement to consult with indigenous peoples can result in additional expenses and procedural delays. These costs and delays can affect the Company's exploration, mining, or development projects, potentially impacting project timelines and financial performance.
- Legal and Regulatory Challenges: Any actual or perceived non-compliance with ILO Convention 169, whether past or future, may lead to challenges from indigenous groups or their representatives. Such challenges could include disputes over the legitimacy of permits, rights, approvals, or other governmental authorizations critical to the Company's operations. These challenges might result in:
    - Increased operational costs related to legal disputes and remediation.
    - Suspension, revocation, or modification of existing rights, mining permits, socio-environmental permits, or export licenses.
    - Delays or interruptions in exploration, development, or mining operations.
    - Potential refusal by governmental authorities to issue new permits or approvals until existing issues are resolved.

- The need for the responsible government to undertake extensive consultation processes in compliance with ILO Convention 169.
- Uncertainty of Outcomes: Given the inherent uncertainty surrounding compliance proceedings and legal challenges related to ILO Convention 169, the Company cannot predict the outcomes of such proceedings with certainty. However, these challenges have the potential to significantly impact the Company's business operations, financial condition, and overall performance.

In summary, while ILO Convention 169 aims to protect the rights of indigenous peoples, its requirements can introduce substantial risks and uncertainties for the Company. Effective management and proactive engagement in compliance with these regulations are essential to mitigate these risks and ensure the smooth progression of the Company's projects in Peru.

Geological, hydrological and climatic events could suspend mining operations or increase costs

Mining operations, by their very nature, are exposed to a range of environmental challenges, including those related to geology, hydrology, and climate. These challenges can sometimes lead to significant disruptions and increased costs. For instance, unanticipated geotechnical issues such as landslides, subsidence, or unstable rock formations can emerge unexpectedly. Such problems might not be apparent until they manifest, potentially disrupting mining activities and leading to costly delays.

Similarly, hydrological challenges, such as unexpected water inflow or drainage issues, can impact operations. These issues might compromise the stability of mining infrastructure or require additional remediation efforts, further escalating costs. The unpredictability of these environmental factors means that the Company must be prepared for a range of scenarios and develop strategies to address them.

Climate conditions also play a crucial role. Severe weather events or prolonged periods of extreme temperatures can have a direct effect on mining operations. For example, exceptionally cold weather could freeze equipment or delay transportation, leading to operational setbacks and increased expenses. Such weather-related disruptions not only affect productivity but can also strain the Company's financial resources, impacting overall profitability.

Additionally, geological and climatic risks can result in secondary issues such as restricted access to mining sites, environmental damage that necessitates costly remediation, and increased regulatory scrutiny. For example, geotechnical failures might lead to environmental harm, prompting investigations and requiring more intensive monitoring and repair work. These factors can collectively contribute to higher operational costs and reduced revenue, potentially affecting the Company's financial performance and long-term prospects.

The Company is committed to proactively managing these risks by investing in robust planning, advanced technology, and comprehensive risk assessments. We continuously monitor environmental conditions and adapt our strategies to mitigate potential impacts. By remaining vigilant and responsive, we aim to navigate these challenges effectively and sustain our operations despite the inherent uncertainties.

In summary, while the natural environment presents inherent risks, the Company's approach to managing these challenges reflects our dedication to maintaining operational efficiency and financial stability. Through careful planning and adaptive strategies, we strive to minimize disruptions and continue driving value for our stakeholders.

Estimates of Capital and Operating Costs May Exceed Actual Costs

Developing a mineral project like the Castrovirreyna Project involves substantial financial commitments and long-term forecasting. Due to the complexity of these projects, there is an inherent risk that estimated costs may fall short of actual expenditures. These projects require projecting costs and revenues many years into the future, making use of assumptions and models that may not fully capture the reality of evolving conditions and variables.

The capital costs, operating expenses, and anticipated economic returns associated with the Castrovirreyna Project are based on detailed studies, including the Company's National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") compliant technical reports. However, these estimates are subject to considerable uncertainty. There is no guarantee that actual costs will align with projections or that the returns will meet expectations. Several factors can contribute to deviations from the estimated costs:

- Modeling Limitations: Forecasts are based on models that inherently have limitations and may not fully predict real-world complexities.
- Changes in Third-Party Costs: Fluctuations in costs charged by suppliers and contractors can impact overall expenses.
- Operational Variations: Short-term changes in operating conditions, such as unexpected technical challenges or adjustments to mine plans, can lead to cost overruns.
- Natural Events: Geological and meteorological factors, such as adverse weather conditions, water availability issues, floods, or earthquakes, can disrupt operations and increase costs.
- Labour Issues: Unexpected labour shortages, strikes, or changes in wage rates can also affect operational costs.

- Variable Costs: Fluctuations in waste-to-ore ratios, ore grade metallurgy, and the cost of commodities, along with inflationary pressures and currency exchange rate shifts, can impact operating expenses.

Many of these factors are beyond the Company's control, making it challenging to accurately predict and manage costs. Unanticipated increases in capital or operating costs could significantly impact the Company's financial performance, potentially affecting its business stability, financial condition, and overall prospects.

Moreover, delays in construction or technical difficulties during the development and commissioning phases of the Castrovirreyna Project could necessitate additional capital expenditures. Any such delays or cost overruns could further strain the Company's resources and adversely impact its financial standing and operational results.

The Company remains committed to closely monitoring and managing these risks by implementing comprehensive project management strategies and contingency plans. Despite our best efforts to mitigate potential issues, the reality of large-scale mineral projects means that we must be prepared for unforeseen challenges that could affect our budget and timelines. As we advance, we will continue to adapt and respond to emerging conditions to ensure the successful development and operation of the Castrovirreyna Project.

Inadequate infrastructure may constrain development and mining operations

The successful commercial production of the Castrovirreyna Project is heavily dependent on having adequate infrastructure in place. This encompasses essential components such as reliable power sources, a consistent water supply, effective transportation networks, and well-maintained surface facilities. Without these critical infrastructure elements, the Company's ability to commence or sustain mining operations could be significantly impaired, potentially leading to substantial adverse effects on the Company's overall business, financial stability, operational results, cash flows, and future prospects.

While the Company anticipates sufficient electrical power will be available for the Castrovirreyna Project, the development and operation of a mine require the establishment of new or upgraded power sources. Plans are in place to install additional power plants to meet the anticipated demands of the project. However, there is no guarantee that these power sources will be constructed, refurbished, or brought online as scheduled. If these power sources do not materialize or fail to provide the necessary levels of electricity, it could severely constrain production capabilities, with potentially significant negative impacts on the Company’s financial health and operational efficiency.

Similarly, water is a critical resource for mining activities, and its availability is subject to various environmental and permitting restrictions. The Company has successfully secured the required permits and licenses for its current operations and immediate plans. However, obtaining or renewing permits for future phases of development remains uncertain. The Castrovirreyna Project’s operations are water-intensive, and any inability to secure the necessary water rights, or to manage water storage and treatment effectively, could have severe implications. Such issues could lead to operational delays or interruptions, negatively affecting the Company’s business operations, financial condition, and overall prospects.

The Company is actively working to address these infrastructure needs by planning and implementing measures to ensure reliable power and water supplies. Despite these efforts, the inherent uncertainties associated with infrastructure development and the complex regulatory environment mean that the Company must remain vigilant and adaptable to potential challenges. Failure to overcome these infrastructure constraints could have a material adverse impact on the Company's business, financial performance, and long-term viability.

Fluctuations in the market prices and availability of commodities and equipment affect the Company's business

The financial stability and operational success of the Company are intricately linked to the market prices and availability of essential commodities and equipment required for its mining and development projects. These resources include raw materials such as metals, energy sources, and specialized machinery. Market prices for these commodities are known for their volatility, influenced by a myriad of factors including global supply and demand fluctuations, geopolitical instability, trade policies, and economic cycles. Such volatility can lead to significant and rapid changes in costs, which may impact the Company’s budget and financial projections.

In particular, if there is a significant and prolonged increase in the cost of critical commodities, the Company may face tough decisions about the economic viability of its ongoing and planned projects. For instance, rising costs for key inputs like fuel, explosives, or construction materials could make certain operations less profitable or even financially unsustainable. The Company might be forced to scale back or delay projects, halt commercial production, or seek alternative, potentially more costly solutions. These adjustments could adversely affect overall profitability and operational efficiency.

Moreover, the global demand for mining-related resources such as drilling equipment, mobile mining machinery, and specialized parts can lead to competitive pressures on the market. A surge in demand can strain supply chains, causing delays in equipment delivery and escalating costs. Such disruptions can lead to project delays, hinder production schedules, and increase the overall capital and operational expenditures. For example, if the Company encounters unexpected delays in receiving critical equipment or materials, this can slow down project development, leading to increased operational costs and potential revenue losses.

The Company's dependence on timely and cost-effective access to these resources necessitates careful management and strategic planning. This includes maintaining relationships with suppliers, exploring alternative sources of key inputs, and implementing cost-control measures to mitigate the impact of price fluctuations. Despite these proactive strategies, the unpredictability of commodity markets and supply chains means that the Company may still face significant challenges.

Ultimately, any substantial fluctuations in the prices of commodities or availability of necessary equipment can have profound implications for the Company’s financial health. Such fluctuations may lead to unexpected increases in operating costs, delays in project execution, and disruptions in production. As a result, the Company's financial condition, results of operations, cash flows, and long-term prospects could be materially adversely affected. The Company must continually adapt to these changing market conditions and remain vigilant in managing the risks associated with commodity and equipment availability to safeguard its business interests and achieve its strategic objectives.

The successful development and operation of the Castrovirreyna Project depends on the skills of the Company's management and teams

The achievement of the Company’s goals, particularly with respect to the development and operation of the Castrovirreyna Project, heavily relies on the expertise and dedication of its management team and key personnel. The Company’s senior management and directors bring a wealth of experience and specialized skills crucial for navigating the complex landscape of mineral project development. Their knowledge in strategic planning, operational oversight, and project execution is fundamental to driving the Company’s success. The Company’s ability to effectively advance the Castrovirreyna Project is significantly influenced by these individuals' leadership and decision-making capabilities.

However, the Company faces substantial risks related to its reliance on its key management and technical teams. If the Company were to lose one or more of these critical team members, whether due to voluntary departure, health issues, or other unforeseen circumstances, it could potentially disrupt operations and impact the Company’s overall performance. The loss of experienced personnel could lead to delays in project development, hinder strategic initiatives, and adversely affect the Company's financial stability and operational effectiveness.

Moreover, the Company’s success is not only contingent upon its current management team but also on its ability to attract and retain skilled technical personnel. This includes professionals with expertise in various aspects of mineral exploration and mining operations. The competitive nature of the industry means that there is significant demand for highly qualified individuals. The Company must continually strive to recruit and retain top talent amidst this competitive environment, while also navigating potential challenges in securing necessary work permits for expatriate employees.

Failure to attract and retain qualified personnel could hinder the Company’s ability to effectively execute its business plans and achieve its objectives. For example, difficulties in hiring experienced engineers, geologists, and other specialists could delay project milestones, increase operational costs, and impact the overall productivity of the Company. Additionally, the challenge of securing work permits for foreign talent can further complicate the hiring process, potentially leading to operational inefficiencies and increased costs.

To mitigate these risks, the Company must implement robust strategies for talent management and employee retention. This includes offering competitive compensation packages, fostering a positive work environment, and providing opportunities for professional development. By prioritizing the well-being and growth of its team members, the Company can better position itself to maintain continuity in its operations and sustain its competitive edge in the industry.

In summary, the success of the Castrovirreyna Project and the Company’s broader business objectives are intrinsically linked to the skills, experience, and stability of its management and technical teams. The ability to retain and attract top talent is critical to overcoming operational challenges, achieving project milestones, and securing long-term success. Therefore, any significant disruptions in personnel or challenges in recruitment could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, and future prospects.

Mining operations are very risky

The Company’s operations, both current and future, are subject to a range of risks and hazards that are intrinsic to the mining industry. These risks are particularly pronounced during the exploration, development, and eventual commercial mining phases of the Castrovirreyna Project. As the Company moves forward, the impact of these risks will likely intensify.

Mining operations involve numerous uncertainties and challenges. Industrial accidents, such as injuries or fatalities among workers, equipment malfunctions, or safety breaches, can disrupt operations significantly. Unexpected rock formations may affect drilling, blasting, and ore extraction processes, while structural failures like cave-ins or slides can endanger personnel and damage infrastructure. Natural disasters, including fires, floods, and earthquakes, can cause substantial operational interruptions and damage.

Additional risks include rock bursts—sudden and violent failures in rock formations that damage mining equipment and pose safety risks—as well as metals losses due to inefficiencies or equipment failure. Weather interruptions from severe conditions can halt operations or create hazardous working environments, while environmental hazards might result in contamination of soil and water. Accidental discharge of pollutants or hazardous materials can lead to environmental damage and regulatory penalties.

Equipment failures, whether in processing or mechanical systems, can cause delays and increased costs. Geotechnical risks related to the stability of underground structures and unexpected geological conditions can also affect operations. Unanticipated changes in ore grade or other geological problems may hinder extraction efficiency. Labour disputes or slowdowns can disrupt mining operations, while workforce health issues from harsh working conditions or exposure to hazardous materials add another layer of risk. Force majeure events, such as political instability or natural disasters, can further impact operations unpredictably.

These risks can have severe consequences. Damage to the Castrovirreyna Project and its facilities can significantly impact its value. Personal injury or fatalities among employees or contractors can disrupt operations and affect morale. Environmental damage may include contamination of land and water resources, leading to regulatory issues and potential fines. Operational delays can decrease productivity and revenue, while financial losses from increased costs or reduced revenue can strain the Company's financial health. Legal liabilities arising from accidents, environmental damage, or regulatory non-compliance can add additional financial burdens.

The inherent risks of underground development and exploration activities can also lead to significant accidents that might halt operations entirely. Such events can result in substantial financial and operational setbacks, disrupting the Company’s plans and having a profound adverse impact on its business, financial condition, results of operations, cash flows, and overall prospects.

Further complications arise from the Company’s dependence on technology. Reliance on both existing and emerging technologies may not always yield expected results. The performance of third-party consultants, contractors, and manufacturers can impact project outcomes, while fluctuations in silver prices, labor, and material costs can introduce unanticipated expenses or scope changes. Unexpected reclamation requirements, permitting issues, and unforeseen ground conditions may present new challenges. Financial liquidity risks, such as difficulties in managing cash flow, can affect the Company's ability to fund operations or address unforeseen costs.

The risks associated with mining are extensive and multifaceted. While the Company aims to manage and mitigate these risks through careful planning and operational oversight, any adverse developments in these areas can have a significant and detrimental effect on the Company's business, financial health, operational results, and future prospects.

Operations during mining cycle peaks are more expensive

During periods of heightened demand for metals and minerals, the costs associated with mining operations can significantly increase. This surge in demand often drives up prices, which in turn stimulates expanded exploration, development, and construction activities. However, this increased activity creates a ripple effect, leading to a rise in the demand for, and consequently the cost of, contract exploration services, development work, and construction equipment.

As demand for these services and equipment grows, the costs associated with obtaining them can escalate substantially. This can lead to a range of issues, including delays if critical services or equipment are not readily available. The scarcity or high cost of essential resources may result in scheduling difficulties and further cost overruns, as the Company may face challenges in coordinating the availability of necessary services and equipment.

Moreover, these increased costs and delays can have a direct impact on the overall development and construction of projects. Project timelines may be extended, and development or construction costs may rise significantly, all of which could adversely affect the financial performance and operational efficiency of the Company. In essence, while increased demand may drive growth opportunities, it can also lead to higher operational expenses and project delays, creating challenges that need to be carefully managed to maintain project viability and profitability.

The success of the Company depends on its relationships with local communities

The Company's success is closely tied to its relationships with local communities. Several communities, including the Castrovirreyna community, have established agreements with the Company to facilitate the development and mining operations at the Castrovirreyna Project. These agreements are crucial, as surface rights must be granted in writing by local community owners and members. In 2023, the Company made significant progress by signing a new agreement with the Castrovirreyna community. This agreement is a pivotal step forward, underscoring the Company's commitment to fostering positive relations and ensuring the smooth advancement of the project.

Despite these advancements, maintaining and strengthening these relationships remains essential. The Company currently enjoys a favorable working relationship with the communities involved, but any loss or deterioration in these relationships could have a substantial impact on the project's success. The ability to obtain and retain necessary surface and mineral rights is vital for ongoing and future operations. If these relationships were to falter, it could severely affect the Company’s ability to develop and operate the Castrovirreyna Project, potentially resulting in adverse effects on the Company's overall business, financial condition, results of operations, cash flows, and future prospects.

The loss of surface rights would be material and adverse

Currently, the Company has secured the necessary surface rights for the Reliquias underground mine at the Castrovirreyna Project, and we believe that our relationships with local communities and government entities are strong and supportive. Our surface rights are in good standing, reflecting the positive interactions we’ve had to date. However, it's important to note that there is no absolute guarantee that the terms of these surface rights will remain unchanged or that we will be able to meet future requirements for access.

The terms under which surface rights are granted can be subject to change, and any shift in these terms could significantly impact our operations. If we encounter difficulties in securing or maintaining the surface rights necessary for the continued development and operation of the Castrovirreyna Project, it could have serious consequences. The ability to effectively manage and uphold these surface rights is crucial for the success and sustainability of our project, and any loss or complication in this regard would be materially detrimental to the Company.

The Company may fail to comply with the law or may fail to obtain or renew necessary permits and licenses

The Company’s development and exploration efforts are tightly regulated by a complex web of national, territorial, and local laws that cover various aspects, including environmental protection, the handling of toxic substances and explosives, health and safety standards, mining operations, production, reclamation, taxation, royalties, and property rights. Complying with these laws and securing the necessary permits and licenses from multiple government authorities is essential but can be both costly and challenging.

The regulatory landscape is dynamic, with potential new laws and regulations or changes to existing ones that could impose additional costs, restrict operations, or delay development. Stricter enforcement of current laws could further complicate compliance and potentially lead to unforeseen expenses or operational disruptions. Moreover, there’s no guarantee that changes in laws or regulations won’t negatively impact the Company’s operations.

Non-compliance with these regulations can result in serious repercussions, including financial restatements, significant fines, penalties, or other legal sanctions. The Company must also navigate the risk of lawsuits from government entities or private parties alleging damages from past or ongoing operations, which could lead to additional financial liabilities.

As we advance with the Castrovirreyna Project, obtaining or renewing government permits and licenses becomes increasingly crucial. This process can be lengthy and complex, involving multiple regulatory agencies, public hearings, and significant costs. The Company's ability to secure these permits is influenced by factors beyond our control, such as the interpretation of regulatory requirements by permitting authorities. Delays or difficulties in acquiring necessary permits could stall development or hinder operations, potentially leading to substantial financial impacts.

In the worst-case scenario, if we are unable to obtain or renew essential permits, or if they are suspended or revoked, it could severely restrict or halt our planned activities. This could have a material adverse effect on our business, financial health, operational results, cash flows, and future prospects. It is critical for us to manage these regulatory and compliance challenges effectively to ensure the successful continuation of our projects.

Compliance with socio-environmental regulations can be costly

The Company's activities at the Castrovirreyna Project, including both development and ongoing mining operations, are governed by a range of socio-environmental regulations. These regulations address critical aspects such as water quality, land reclamation, the handling and disposal of hazardous waste, health and safety standards, and our commitments to social stakeholders. Compliance with these rules is not only complex but can also be costly.

Ensuring adherence to all socio-environmental laws and regulations, and securing the necessary permits, involves significant effort and expense. Despite our best efforts, there is no guarantee that we will always be fully compliant with every regulation or hold all required permits. Any failure to comply can lead to substantial costs and delays, potentially affecting our ability to operate economically or advance the Castrovirreyna Project as planned.

Currently, and potentially in the future, obtaining socio-environmental approvals and permits is crucial for our operations. If we cannot secure these approvals, it could hinder or even halt our exploration and development activities. Non-compliance may result in enforcement actions from regulatory or judicial authorities, which could include orders to cease or limit our operations and mandate additional capital expenditures, equipment installations, or remediation efforts.

Future changes in socio-environmental regulations could also impact our operations. New or revised regulations might increase compliance costs, potentially reducing the profitability of both current and future projects. Additionally, there may be environmental hazards associated with the properties we currently hold or acquire in the future, some of which could be unknown to us and may have originated from previous owners or operators. In such cases, we could be held responsible for remediation and may face compensation claims or legal penalties, regardless of our direct involvement.

These potential financial liabilities and regulatory challenges highlight the importance of rigorous compliance efforts. Any issues related to socio-environmental regulations could significantly affect our business, financial condition, operational results, cash flows, and overall prospects. We are committed to managing these risks proactively to minimize their impact on our operations.

Social and environmental activism can negatively impact exploration, development and mining activities

Social and environmental activism can have a significant impact on our operations. As public awareness about the environmental and social effects of mining grows, we see an increasing level of concern from various groups. Non-governmental organizations (NGOs) and public interest groups often voice strong opposition to resource development. Their activism can include vocal criticism and campaigns that may affect public perception.

In addition, local community groups sometimes oppose mining activities, leading to disruptions and delays. Despite our efforts to operate responsibly and maintain positive relationships with local communities in the Castrovirreyna region, there's always a risk that NGOs or community organizations might bring negative attention to our projects. This could happen even if we adhere to the highest social and environmental standards. Issues might arise due to political factors, actions by unrelated third parties on lands where we operate or concerns specific to our operations.

Such adverse publicity and disruptions can have a damaging effect on our reputation and our financial stability. They can also strain our relationships with the communities where we work

Competition with other mining companies is intense

The mining industry is highly competitive, with numerous challenges and pressures that can impact our operations. We find ourselves competing against other mining companies that often have greater resources and extensive experience. The competition is fierce across several critical areas:

Firstly, there's intense competition for properties that are not only feasible to develop but also economically viable. Securing such properties is crucial for our growth and success. Secondly, we vie for top technical expertise needed to discover, develop, and manage these properties effectively. This expertise is vital for our operations and future development.

Thirdly, attracting and retaining skilled labor is a major challenge. The mining sector requires specialized skills, and finding and keeping qualified personnel can be difficult amidst the high demand. Lastly, securing the necessary capital to fund our operations and develop our properties is another area where competition is fierce. We need adequate financial resources to support our projects and remain competitive.

Failure to compete effectively in these areas could hinder our ability to acquire desirable properties, attract skilled employees, or obtain the capital required for our operations. Additionally, many of our competitors are not only engaged in exploration and mining but also conduct refining and marketing operations on a global scale. In the future, we may need to compete with these established players in refining and marketing our products internationally. Struggling to match the capabilities of these well-established competitors could adversely affect our business, financial stability, operational results, cash flows, and overall prospects.

A failure to maintain satisfactory labour relations can adversely impact the Company

Maintaining positive labor relations is crucial for the Company's success, especially for the ongoing development and operation of the Castrovirreyna Project. Our employees are essential to our operations, and ensuring their satisfaction is a top priority. We are committed to creating a supportive and safe work environment and actively seek ways to enhance working conditions to meet and exceed industry standards.

However, labor relations can be influenced by changes in labor laws and regulations introduced by government authorities. These changes can impact the way we interact with our employees and could potentially affect our operations. We continuously strive to adapt to these changes and maintain open communication with our workforce to ensure that their needs are met. Despite our efforts, any significant shifts in labor legislation or our internal labor relations could still pose challenges.

Our dedication to improving the workplace environment and retaining talented employees is a key part of our strategy. Nevertheless, any failure to manage these relationships effectively or changes in labor laws could adversely impact our business, potentially affecting our operations and financial stability.

Negative cash flow from operations and need for additional financing

To date, the Company has experienced negative cash flow from its operating activities. Although it is anticipated that positive cash flow will be realized in future periods, the Company will need additional working capital to sustain and expand its operations. The ability to achieve its business objectives may be significantly constrained if negative cash flow persists and additional financing is not secured.

Historically, the Company has addressed its working capital needs through a combination of equity and debt financing. While it has successfully raised capital in the past, future financing opportunities are not guaranteed and may not always be available on favorable terms. To mitigate this risk, the Company actively seeks to strengthen its financial position by maintaining robust relationships with investors and financial institutions, continuously exploring diverse funding sources, and carefully managing its capital structure.

The Company's development and operational activities may necessitate further financing. If additional funds are raised through equity or convertible securities, existing shareholders might face dilution. To manage this risk, the Company aims to balance equity financing with strategic debt management, ensuring that any new equity issued does not disproportionately impact shareholder value. Furthermore, any potential issuance of equity will be planned with the goal of maintaining shareholder interests and minimizing dilution.

Additionally, the Company may finance acquisitions or asset purchases through debt, which could temporarily raise its debt levels above industry standards. To address this, the Company will employ careful financial planning and negotiation strategies to secure favorable debt terms and maintain financial stability. By adopting a disciplined approach to capital management and leveraging its financial relationships, the Company is better positioned to navigate funding challenges and support its long-term growth objectives.

The Company's insurance coverage may be inadequate and result in losses

The Company's operations are inherently exposed to a variety of risks and hazards, as detailed in this Annual Report. Although the Company has taken steps to mitigate these risks by maintaining insurance coverage that it deems reasonable, there are significant limitations to what this insurance can cover. Current policies are designed to address certain risks, but they do not encompass all potential risks associated with its activities, particularly those related to future mining operations.

There is no guarantee that the Company will be able to secure or sustain insurance coverage for all its risks at economically viable premiums. The availability of insurance, as well as the terms and costs associated with it, can fluctuate based on market conditions and the nature of the risks involved. For instance, obtaining insurance for environmental pollution or other specific hazards linked to exploration and production might be challenging or prohibitively expensive. In such cases, the Company could face scenarios where insurance is either not available or only available at a prohibitive cost.

Additionally, if the Company is unable to secure coverage for certain types of risks or if premiums become too high, it may choose not to insure against those risks. This decision could leave the Company exposed to liabilities for events such as environmental damage or other operational hazards. Should such events occur, the Company might incur substantial costs that could adversely impact its financial condition, operational results, and future prospects.

The potential for significant uninsurable losses underscores the need for the Company to continually assess and manage its risk exposure. By doing so, it aims to balance the cost of insurance with the potential financial impact of uninsured risks. The Company remains vigilant in evaluating its insurance needs and seeks to ensure that its coverage aligns with its risk profile while striving to maintain financial stability and protect shareholder value.

Currency fluctuations can result in unanticipated losses

The Company is subject to fluctuations in foreign exchange rates with respect to United States, Canadian, and Peruvian currencies. Silver is globally sold primarily in United States dollars, and the Company has historically raised funds through equity issuances in United States dollars. Occasionally, the Company may borrow funds or incur expenditures denominated in foreign currencies, such as Canadian or United States dollars.

The Company presents its financial results in United States dollars, and if production at the Castrovirreyna Project commences, a significant portion of its operating costs will be incurred in Peruvian soles. Consequently, any substantial and sustained appreciation of the Peruvian sol or Canadian dollar against the United States dollar may negatively impact reported revenues from silver sales at the Castrovirreyna Project. Currently, the Company does not have foreign exchange hedging contracts in place to mitigate these currency fluctuations.

To address these risks, management is actively engaged in strategies to minimize the negative impacts of currency fluctuations. The Company continuously reviews and adapts its financial practices to enhance resilience against currency volatility, seeking to optimize its operations and financial outcomes. By proactively managing its exposure and staying agile, the Company aims to safeguard its financial stability and add value to its operations.

Conflicts of interest could result in suboptimal decisions being made by the Company

Certain directors and officers are or may become associated with other mining and/or mineral exploration and development companies which may give rise to conflicts of interest. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve such a contract. In addition, directors and officers are required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors and officers have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these directors and officers. Further, any failure of the directors or officers of the Company to address these conflicts in an appropriate manner, or to allocate opportunities that they become aware could have a material adverse effect on the business, financial condition, results of operations, cash flows or prospects.

Future acquisitions may require significant expenditures or dilution and may result in inadequate returns

The Company may look to expand its operations through future acquisitions, yet securing suitable candidates on favorable terms is not guaranteed. There is no assurance that the company will identify appealing acquisition targets or that it will be able to complete transactions under economically viable conditions. Furthermore, existing agreements with third parties, such as creditors, might impose restrictions on pursuing or finalizing acquisitions.

Acquisitions often necessitate significant financial outlays, which could limit the company's ability to allocate funds to other business ventures or may require issuing considerable equity. The process of acquiring and integrating new operations also demands significant management time and resources. Negotiating acquisitions and assimilating new operations might disrupt ongoing business activities by shifting focus away from daily operations. Challenges in integration are exacerbated by the need to coordinate across diverse geographical locations, unify personnel with varying backgrounds, and blend different corporate cultures.

The risks associated with acquisitions include, but are not limited to: incorrect assumptions about the value and cost of mineral properties and resources; difficulties in effectively integrating acquired operations; challenges in recruiting, training, or retaining qualified personnel; the assumption of unforeseen liabilities; limited indemnity rights from sellers; errors in assessing the overall cost of equity or debt; unexpected operational issues, especially in new geographic regions; and the potential loss of key employees or relationships at the acquired project.

Additionally, acquisition targets may present undisclosed liabilities or operational problems not identified during due diligence. The potential impairment or write-off of goodwill and other intangible assets related to acquisitions could further diminish overall earnings and negatively impact the Company's financial standing.

The Company is dependent on information technology systems

The Company relies heavily on information technology systems, which are critical to its operations. These systems are vulnerable to various disruptions, including computer viruses, security breaches, natural disasters, power outages, and design defects. While the Company has not encountered significant issues related to information technology system failures to date, there is no guarantee that such problems will not arise in the future.

Potential disruptions could lead to a range of issues, such as operational delays, production downtime, data corruption, or security breaches. Such events may compromise the integrity and functionality of the Company's systems and networks. The consequences of these failures could include significant operational setbacks and financial losses, which could have a material adverse impact on the business and performance.

Management is continuously working to enhance its information technology systems and safeguard against potential threats. However, despite these efforts, the risk of system failures and related disruptions remains a significant concern.

The Company may be subject to costly legal proceedings

The Company may face various legal challenges, including regulatory investigations, civil claims, lawsuits, and other proceedings as part of its regular business activities. The outcomes of these legal matters are inherently uncertain due to the unpredictable nature of regulatory actions and litigation. Decisions made by regulators, judges, and juries can be difficult to foresee and may be subject to appeal, potentially leading to changes in the final rulings.

The costs associated with defending against and settling legal claims can be substantial, even when such claims lack merit. While management is dedicated to upholding high ethical standards and responsible business practices—believing that these efforts can mitigate the risk of legal disputes—there is no guarantee that legal challenges will not arise or that their outcomes will be favorable.

The potential financial and operational impact of legal proceedings underscores the importance of robust risk management and compliance strategies to minimize the potential adverse effects.

The Company will incur increased costs as a result of complying with the reporting requirements, rules and regulations affecting public issuers

As a public issuer, the Company must adhere to the reporting requirements and regulations set forth by Canadian securities laws, Peruvian laws, and the rules of any stock exchange where its securities are listed, including the TSX Venture Exchange (TSXV), the Bolsa de Valores de Lima (BVL), and the OTC markets. Compliance with these regulations, as well as any new regulatory requirements that may be adopted in the future, will inevitably lead to increased legal, accounting, and financial compliance costs.

These obligations not only make certain activities more complex, time-consuming, and expensive but also place considerable strain on the Company's personnel, systems, and resources.

Maintaining effective internal controls, including financial reporting and disclosure controls and procedures, is crucial. These controls are essential for providing reliable financial reports, minimizing the risk of fraud, and ensuring successful operations as a public entity. The extensive reporting and compliance obligations demand significant management, administrative, operational, and accounting resources, highlighting the need for robust infrastructure and well-coordinated efforts across the organization. The Company remains committed to upholding these standards to ensure transparency and accountability, thus safeguarding the interests of shareholders and stakeholders alike.

4 EXPLORATION AND GROWTH

SECTION IV: EXPLORATION AND GROWTH

4.1. Operations Mine

AGMR Peru owns two primary underground mines: Reliquias and Caudalosa. These assets have a rich history of mining activity from 1951 to 2016, producing significant quantities of silver, zinc, lead, gold, and copper. Between 2009 and 2014, production averaged over 1 million ounces of silver and nearly 3,000 ounces of gold annually. In 2012, an average of 1.4 million ounces of silver and around 4,000 ounces of gold were obtained within a bulk concentrate. During this period, mining methods included sub-level stopping and conventional cut-and-fill techniques.

The Reliquias mine, located 10 km southwest of the existing processing plant, is currently accessible via a ramp, shaft, and multiple transport levels. The mine's mineralization features silver-rich sulfides and sulfosalts near the surface, with increasing concentrations of base metals at greater depths. The Caudalosa mine primarily exploited silver-rich sulfides and sulfosalts, along with galena, sphalerite, and minor copper sulfides.

Both the Reliquias and Caudalosa mines offer substantial exploration potential, both at depth and along vein extensions previously mined. The mineralization in the Meteysaca, Perseguida, Sacasipuedes, and Matacaballo veins is particularly promising, making these projects attractive for further underground exploration. The main veins and their branches remain open laterally and at depth.

Following a successful exploration and drilling campaign at the Reliquias underground mine in 2022, the Company announced a NI 43-101 compliant Mineral Resource estimate on April 12, 2023, incorporating data up to December 15, 2022.

AgMR

NI 43-101 Technical Report Mineral Resource Estimate for the Reliquias Mine

The current mineral resources for the Reliquias mine are summarized in the table below.

		Grades					Contained Metal				
Resource	**Volume**	**Silver**	**Gold**	**Zinc**	**Lead**	**Copper**	**Silver**	**Gold**	**Zinc**	**Lead**	**Copper**
	kt	*g/t*	*g/t*	*%*	*%*	*%*	*MozAg*	*koz Au*	*Mlb Zn*	*Mlb Pb*	*Mlb Cu*
Measured	221	162.4	0.55	3.03%	1.95%	0.28%	1.2	3.8	14.8	9.5	1.4
Indicated	1054	129.1	0.39	3.16%	2.08%	0.34%	4.4	12.8	73.5	48.4	7.8
M&I	**1275**	**135.0**	**0.42**	**3.14%**	**2.06%**	**0.33%**	**5.5**	**16.6**	**88.3**	**57.9**	**9.2**
Inferred	1706	126.7	0.43	2.96%	1.84%	0.28%	7.0	22.7	111.5	69.1	10.7

Mineral Resource Estimate for the Reliquias Project, effective date January 1, 2024. notes: The Resource statement was determined using the following parameters: Mineral Resources are those defined in the definition of the CIM Standards on Mineral Resources and Mineral Reserves, 2014. Mineral Resources are reported at US$52.02 NSR cut-off for the polymetallic veins and the prices of the metals considered were Silver US $24.00/oz, Gold US$1,921.00, Copper US$4.06/lb, Zinc US$1.22/lb, and Lead US$0.94/lb. Metallurgical recoveries for polymetallic veins are based on historical recovery: Ag= 88.11%, Au=74.83%, Pb= 93.19%, Zn= 83.55%, Cu= 90.85%. The average density used for the tonnage calculation 2.71 t/m3. The reported Mineral Resource Estimate is not diluted. The Mineral Resource Estimate does not include mined-out areas. Estimated Mineral Resource tonnages are rounded to the nearest thousand to reflect their relative precision and totals may not add due to rounding. Antonio Cruz is not aware of any environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues that could materially affect the potential development of the Mineral Resource Estimate.

Please refer to the technical report entitled “NI 43-101 Technical Report Mineral Resource Update, Reliquias Mine, Department of Huancavelica-Peru” dated March 8, 2024 with an effective date of January 1, 2024 and filed on SEDAR+ (www.sedarplus.ca) under the Company's issuer profile on March 19, 2024, in accordance with NI 43-101.

In the entirety of 2023, the Caudalosa mine did not see any exploration activities. The historical mineral resources for the Caudalosa mine are detailed in the table below. While these mineral resources have not undergone independent verification, they are considered to possess sufficient accuracy and reliability to be used for planning and conducting exploration programs and mining operations. This historical data provides a valuable foundation for understanding the mine's potential and planning future exploration efforts. The quality and consistency of these resources make them a vital tool for evaluating the mine's prospects and guiding strategic decisions.

Historical Resource Estimate – (Caudalosa Project)[(1)]

		Grades					Contained Metal				
Category	Mass	Silver	Zinc	Lead	Copper	AgEq	Silver	Zinc	Lead	Copper	AgEq
	kt	*oz/t*	*%*	*%*	*%*	*Oz/t*	*MozAg*	*Mlb Zn*	*Mlb Pb*	*Mlb Cu*	*MozAgEq*
Inferred	1,549	14.43	2.80%	2.79%	2.12%	24.63	22.35	95.6	95.3	72.4	38.1

(1) Disclosure of Historical Estimates Historical Resources
Estimates are not Mineral Reserves or Resources and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimates. Information as of July 2019 Source: Sociedad Minera Reliquias SA, the information is based on RM-Master Pro Quality, C. Rodriguez, Abr19; RM-Master Pro Quality, C. Rodriguez, Jul19 The QP considers that the Historical Resources Estimate is relevant for the proper understanding of the Project and additional exploration including drilling could be needed to verify the historical estimate as current mineral resources A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves; and The issuer is not treating the historical estimate as current mineral resources or mineral reserves.

4.2. Exploration Properties

Reliquias

In December 2021, the Company embarked on an ambitious exploration campaign at the Reliquias mine, which continued through September 2023. This extensive campaign was designed to enhance our understanding of the mine's geological framework and to identify potential extensions of mineralized veins and tensional structures.

In 2022, the exploration efforts included drilling activities with HQ-sized equipment totaling 11,573.55 meters and NQ-sized equipment amounting to 2,724.70 meters. These efforts provided initial insights into the mine's subsurface characteristics. The following year, 2023, saw continued exploration with a combined total of 14,953.40 meters drilled across various equipment sizes: HQ (8,843.15 meters), NQ (1,869.05 meters), BQ (2,813.45 meters), and Packsack (308.95 meters).

A total of 95 boreholes were drilled during the campaign in 2023. Of these, 50 boreholes were drilled using small, versatile BQ-sized equipment, which is particularly effective for accessing narrow and confined locations within the mine. The remaining 45 boreholes utilized HQ/NQ diameters, providing a more detailed analysis of the mine's main structures.

From the BQ drilling activities, 1,358 samples were collected, which included 1,090 primary samples and 268 control samples. These samples are essential for evaluating the mineralization and refining our exploration strategy.

The primary objective of this extensive drilling program was to delineate the key mineral structures through precise diamond drilling and to explore potential vein extensions and tensional structures. The data collected from this campaign will significantly contribute to the future development and operational strategies of the Reliquias mine, enhancing our ability to optimize its mineral resources.

Vein	Channels Sample BQ	QAQC	Total
AYAYAY	146	34	180
MATACABALLO	167	41	208
PASTEUR	164	40	204
PERSEGUIDA	66	17	83
POZORICO	172	40	212
SACASIPUEDES	88	23	111
VULCANO	106	22	128
METEYSACA	181	51	232
Total			

During the exploration campaign, drilling with HQ and NQ-sized boreholes yielded a comprehensive set of data essential for understanding the subsurface geology of the Reliquias mine. In total, 4,068 samples were collected from these boreholes, comprising 3,426 primary samples and 642 control samples.

The primary aim of these drilling efforts was to intersect and evaluate the major mineral structures within the mine. The targeted structures included prominent veins and mineralized zones such as Matacaballo, Meteysaca, Perseguida, Sacasipuedes, Natividad, Ayayay, Pasteur, Pozorico, Vulcano, and Beatita X. Each of these structures holds significant potential for expanding the mineral resource base of the mine.

The drilling program was strategically designed to enhance our understanding of these key areas by providing detailed geological data that will help in assessing their mineral content and continuity. By targeting these specific structures, the program aimed not only to confirm the presence and quality of the mineralization but also to contribute to the overall increase in the mine's mineral resources.

The successful completion of this drilling campaign and the analysis of the collected samples will play a crucial role in refining resource estimates and planning future exploration and development activities. This data will support ongoing efforts to optimize the mine's operational efficiency and to unlock its full potential.

Vein	Drilling Sample HQ/NQ	QAQC	Total
VULCANO	1,132	207	1,339
SACASIPUEDES	1,129	209	1,338
PERSEGUIDA	1,066	205	1,271
PASTEUR	99	21	120
Total			

Throughout 2023, a series of comprehensive geological assessment activities were carried out at various levels of the Reliquias mine. This included channel sampling, density sampling, and detailed mapping of the primary mineral veins. These efforts were crucial for improving the geological interpretation and expanding the understanding of the mineral resources present at the site.

Channel sampling involved systematically collecting samples across different sections of the veins to capture a representative cross-section of the mineralization. This method provided valuable data on the distribution and concentration of minerals along the length of the veins. Concurrently, density sampling was performed to determine the bulk density of the mineralized material, which is essential for accurate resource estimation and mine planning.

Mapping of the main veins was conducted to create detailed geological maps that illustrate the spatial distribution and orientation of the mineralized zones. These maps are fundamental for visualizing the geometry of the veins and understanding their continuity and potential extensions.

Quality assurance and quality control (QA/QC) procedures were rigorously implemented throughout these activities. QA/QC reports were generated to ensure the accuracy and reliability of the data collected, which is critical for making informed decisions about resource estimation and future exploration strategies.

Overall, these combined efforts were aimed at enhancing the geological interpretation of the Reliquias mine and increasing the confidence in the mineral resources. By integrating the data from sampling and mapping activities, the Company aims to refine its resource models, optimize exploration and development plans, and ultimately support the successful advancement of mining operations.

Vein	UG Mine Samples	QAQC	Total
METEYSACA	1,777	288	2,065
MATACABALLO	1,121	185	1,306
BEATITA	608	96	704
PASTEUR	486	78	564
SACASIPUEDES	430	71	501
VULCANO I	367	61	428
VULCANO	365	57	422
PERSEGUIDA	348	57	405
POZO RICO	145	24	169
SORPRESA	135	23	158
AYAYAY	55	9	64
GRIMA	43	7	50
VULCANO II	30	4	34
RAMAL	25	4	29
VETILLEO	25	4	29
RAMAL PERSEGUIDA	18	2	20
RAMAL SCS	7	1	8
Total	5,985	971	6,956

Castrovirreyna

The Castrovirreyna mine, situated to the northwest of the Reliquias mine, encompasses an area of 313 hectares. This study area is noted for its continuity of significant veins including Sacasipuedes, Meteysaca, Perseguida, and Beatita. The geological outcrops within the area are characterized by pseudo-stratified sequences comprised of Porphyritic Andesites, lapilli tuffs, and tuffaceous breccias, all of which belong to the Caudalosa formation from the Miocene epoch, approximately 23.03 million years ago (Salazar & Landa, 1993). These formations display various alteration types, including propylitic alteration, argillization, sericitization, and solidification, particularly at the contact zones between the mineral structures and the host rock.

Structurally, the area reveals two primary lineament systems. The first system trends northwest and appears to have experienced sinistral movement associated with compressive forces oriented east-west. The second system, also northwest-trending, is linked to extension efforts with a north-south orientation.

The structural kinematics of the region indicate that the principal veins, such as Matacaballo with a northeast-southwest (NE-SW) orientation, formed during an extension event. This is supported by the large thicknesses of these veins, their banded and crustiform textures, and the spatial development of mineralization influenced by the Chonta caldera, which exhibits a NE to SW flow direction. Conversely, veins oriented northwest-southeast (NW-SE), including Perseguida, Meteysaca, and Beatita, were formed during a tension event, as evidenced by their reduced vein thicknesses.

Overall, the geological and structural characteristics of the Castrovirreyna mine offer valuable insights into the vein formation processes and the geological history of the area. This understanding is critical for optimizing exploration and development strategies, ensuring effective resource management and future mining activities.

The following main structures have been identified:

- Erika Vein, a structure recognized with an orientation of N115°/88°, exhibiting a continuous lineament of approximately 220m, a variable vein thickness of 0.30 - 0.50 m along the outcrop, with preliminary values of 900 ppb Ag, 135 ppm Zn. It is composed of quartz and gray silica in veinlets, presenting a banded texture, with disseminated pyrite sulfide associated with iron oxides and filling cavities.
- Meteysaca Vein, parallel to the Erika Vein, with a length of 520m and an orientation of N110°/86°, composed mainly of ground rock material, gray Silica, fine disseminated pyrite associated with moderate-intensity iron oxide, and an average width of 0.60m. The host rock is formed by lapilli tuffs and porphyritic Andesites with weak silicification, and veins of oxide and hyaline silica, moderate fracturing, with preliminary values of 700 ppm Ag, 128 ppm Zn, and 462 ppm Cu.
- Perseguida Vein, a structure with an orientation of N110°/86°, exhibiting a variable thickness of 0.20 - 0.50m, behaving like a rosary-type vein, composed of quartz, banded gray silica, and leached sections along the structure, fine disseminated pyrite, banded quartz with a crustiform texture, iron oxide patinas, the host rock composed of porphyritic andesite and lapilli tuffs, with the latter showing alteration halo from 0.3 - 1 m with oxide veins and weak argillization.
- Beatita Vein, a structure with a length of 2.2 km, orientation N115°/83°, a variable thickness of 0.5 - 1.0m behaving as a rosary-type, with 3 levels in the central part that have been exploited, having a shaft as the main access to these levels. The vein is mainly composed of gray silica, milky quartz in massive form and weak crystallization, banded texture, leached sections, presence of pyrite, galena points, and gray sulfides, with argillic alteration at the contact between the structure and host rock with disseminated cubic pyrite.

- Victoria Vein, a recognized structure of 700 meters, with an orientation of N105°/80°, a variable thickness of 0.40 - 0.70 m rosary-type, mainly composed of gray silica with banded texture at the edges and brecciated in the central part, gray silica matrix with fine disseminated pyrite, clasts of silicified whitish rock, with preliminary results of 2.8 ppm Ag, 138 ppm Pb and 2438 ppm Zn.
- Nueva Vein, a structure with a recognized length of 400 meters, orientation N100°/80°, variable thickness of 0.5 - 1.5m rosary-type, composed of barite, milky quartz, banded gray silica, brecciated on the northern side with clayey matrix, clasts of silicified rock, fine disseminated pyrite, host rock porphyritic andesite and lapilli tuffs, with weak argillic alteration and iron oxide patinas.
- Teresa Vein, a recognized structure/fault of 50m, orientation N60°/78°, average thickness of 0.70 m, massive and crustiform quartz with fine disseminated pyrite, iron oxide patinas, host rock composed of lapilli tuffs with quartz and iron oxide veins and veinlets, with preliminary results of 3.2 ppm Ag, 74 ppm Pb, 173 ppm Zn.
- Teresa II Vein, a structure with an orientation of N60°/85°, outcrops for 175m, composed of milky and crustiform quartz, argillized, fine disseminated pyrite, fine veins of iron oxide, banded and brecciated texture, the host rock composed of moderately fractured lapilli tuffs, quartz veins, and iron oxide, with preliminary results of 12.5 ppm Ag, 117 ppm Cu, 202 ppm Pb, and 466 ppm Zn.
- San Pablo Vein, mining activity in the San Pablo Vein dates back to the 1960s, currently, the main shaft is paralyzed and flooded. It is the main structure of 700 meters with a heading N110°/80°, these works evidenced by two E-34 and E35 stopes. Two vein systems have been identified: (1. San Pablo and the tensional San Pablo 1, San Pablo 2, and San Pablo 3) 1 and 3 Tensional structures, with a heading N280°/78°, these structures are composed of: massive milky quartz with a banded texture, pyrite points, iron oxide patinas. The host rock consists of porphyritic andesites and lapilli tuffs, the latter fractured with quartz and iron oxide veins.

Uchuputo Sector

The Uchuputo Sector, situated approximately 2 kilometers from the main operating zone, covers an area of 131 hectares. Exploration efforts have thus far focused on 80 hectares of this sector, with the remaining northwest portion yet to be examined. This area reveals volcanoclastic sequences that include porphyritic andesites and lapilli tuffs, displaying a trend of N200°/17°. Additionally, a subvolcanic feature with andesitic-porphyritic characteristics has been identified.

The alterations in the Uchuputo Sector encompass propylitic, argillic, and silicification processes, which are associated with the contact between mineralized structures and the surrounding host rock. These alterations suggest significant geological interactions and have implications for mineral exploration and resource assessment.

Within this sector, five northeast-trending sub-parallel structures and one northwest-trending structure have been identified. The mineralization observed in Uchuputo is primarily associated with the northwest-trending structures, which are correlated with the Yahuarcocha target. The mineralization displays a variety of textures, including massive quartz, crustiform quartz, and both light and dark gray silica. Additionally, fine disseminated pyrite and sporadic chalcopyrite have been noted, indicating the presence of significant mineralization.

Overall, the geological characteristics and mineralization patterns of the Uchuputo Sector suggest a promising area for further exploration. The identified alterations and structures provide valuable insights that could guide future exploration efforts and enhance the understanding of the mineral potential in this region.

The six main identified structures are as follows:

- Karolina Vein, with an orientation of N70°/75°, outcropping for 95m, with an average thickness of 0.5 - 0.8m rosary-type. The mineralization consists of milky and crustiform quartz, banded and brecciated texture, dark gray silica, fine disseminated pyrite related to OxFe patinas, weak argillic alteration, and moderate silicification at the structure-host rock contact. Tuffaceous lapilli with sporadic porphyritic andesites are observed. Preliminary results are: 20.5 ppm Ag; 4133 ppm Pb, 754 ppm Zn.
- Katherine Vein, with an orientation of N250, outcropping for 85m, composed of banded and crustiform milky quartz, light and dark gray silica with fine disseminated pyrite, intersections of milky quartz branches with oxide patinas, presenting the following grades: 4.3 ppm Ag; 762 ppm Pb; 644 ppm Zn.
- María Vein, outcropping for 25m, E – W orientation, with Bz 75°N, massive and crustiform milky quartz, gray silica at the edges with fine disseminated pyrite related to OxFe patinas, variable thickness of 0.3 – 0.5m, preliminary results are: 35 ppm Ag; 321 ppm Cu; 539 ppm Pb; 506 ppm Zn.
- Julia Vein, outcropping for 95m, orientation N 70°/75°, massive gray and light gray silica with banded texture, massive and crustiform milky quartz with disseminated cubic pyrite, variable

thickness from 1 – 0.6m, rosary-type, presenting preliminary results of: 79.4 ppm Ag, 4462 ppm Pb, 2630 ppm Zn.

- Elsa Vein, with an orientation of N120/83°, outcropping for 360m, variable thickness of 0.3 – 0.7m rosary-type, banded texture of gray silica and quartz with crustiform texture, brecciated texture in the central part with clasts of silicified rock and matrix of gray silica, fine disseminated pyrite, sporadic sphalerite veins, preliminary results are: 69 ppm Ag, 4443 ppm Pb, 586 ppm Zn, 194 ppb Au.
- Rosa Vein, with an outcrop of 160m, orientation of N 80°/85°, composed of gray silica, massive and crustiform quartz at the edges, presence of fine disseminated pyrite, variable thickness of 0.3 – 0.6m, with lapilli tuffs as host rock with sporadic quartz veins, OxFe patinas. Preliminary results are: 1.4 ppm Ag; 128 ppm Pb, 341 ppm Zn.

Lira de Plata

The Lira de Plata Project represents a significant opportunity for exploration and development within our portfolio. In 2023, we undertook a comprehensive sampling program focused on the dumps associated with this project. This initiative aimed to identify and characterize the most promising mineralized structures within the area.

Throughout the year, our team collected a total of 365 samples from various locations across the dumps. These samples were meticulously analyzed to estimate the mineral content and potential economic value of the ore. Based on our findings, we estimate that the dumps contain approximately 2,800 tons of ore. The Net Smelter Return (NSR) for this ore is projected to be $140.38 per ton, reflecting a favorable economic outlook.

Among the 365 samples, 59 were designated as control samples to ensure the accuracy and reliability of our results. This robust sampling approach allows us to validate the mineralization and assess the potential for future development with greater confidence.

The data obtained from the Lira de Plata Project underscores its potential as a valuable asset. The high NSR indicates that the ore has substantial economic value, and the detailed sampling results provide a solid foundation for further exploration and development activities. As we continue to advance this project, we are committed to leveraging these insights to maximize its potential and deliver value to our investors. The Lira de Plata Project stands as a promising venture, with significant opportunities for growth and enhancement in the coming phases of exploration.

Dorita

At the Dorita block of properties, no exploration work was conducted during 2023. However, significant progress was made in securing regulatory approvals crucial for advancing future exploration activities. Notably, on September 1, 2023, the Company received approval for the Dorita Environmental Impact Statement (EIS). This critical milestone authorizes the development of 21 drilling platforms and represents a key step in the exploration process. The EIS is valid for five years and underscores the Company's commitment to conducting operations in an environmentally responsible manner.

The approval of the EIS not only facilitates immediate exploration plans but also reflects our dedication to sustainable practices and regulatory compliance. It ensures that the Company can proceed with drilling activities while adhering to stringent environmental standards. The strategic importance of this approval cannot be overstated, as it aligns with our broader goal of fostering responsible mining practices and building positive relationships with local communities.

In addition to the EIS, the Company is focusing on establishing strategic partnerships to enhance collaboration and operational efficiency. We are actively seeking a suitable partner to advance our exploration objectives and recognize the critical role of securing social licenses and community support. The EIS approval paves the way for future developments and reinforces our commitment to integrating environmental stewardship into our exploration efforts.

5 ENVIRONMENTAL MANAGEMENT

SECTION V: ENVIRONMENTAL MANAGEMENT

5.1. Environmental Commitments

At our core, we are dedicated to safeguarding the environment and ensuring that our mining operations have a minimal impact on the ecosystems where we operate. Our commitment goes beyond regulatory compliance; it involves a proactive approach to environmental stewardship. We have established comprehensive measures designed to prevent, minimize, and mitigate environmental impacts across all phases of our operations.

Our environmental strategies are informed by rigorous assessments and continuous improvement processes. We integrate best practices in environmental management to protect local flora and fauna, preserve water resources, and manage waste responsibly. This holistic approach ensures that we are not only compliant with current environmental regulations but also contributing positively to the sustainability of the areas in which we operate.

We recognize that environmental protection is a shared responsibility, and as such, we engage with local communities and stakeholders to align our efforts with their environmental concerns and aspirations. By fostering transparency and collaboration, we aim to build trust and ensure that our activities support long-term ecological balance.

5.2. Environmental Management Instruments

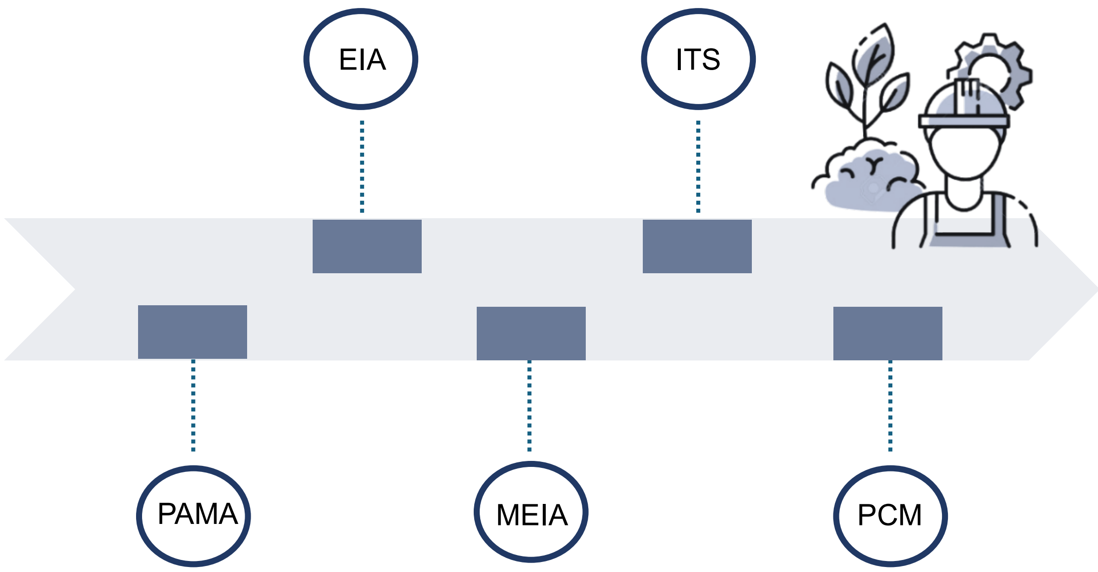
Our Environmental Management Instruments (IGAs) are fundamental to ensuring that our operations adhere to both legal and ethical environmental standards. These instruments are meticulously designed to guarantee that all aspects of our operations—from initial planning through to execution and closure—comply with relevant regulations and standards.

The IGAs serve as a comprehensive framework for sustainable practices, encompassing everything from environmental impact assessments and waste management strategies to resource conservation and emergency response plans. By implementing these instruments, we are able to effectively monitor and manage our environmental footprint, ensuring that any potential impacts are promptly addressed and mitigated.

Continuous monitoring is a cornerstone of our environmental management approach. We employ advanced technologies and methodologies to track environmental parameters and assess the effectiveness of our mitigation measures. This ongoing process allows us to make informed adjustments and improvements, enhancing our environmental performance and ensuring that we maintain a safe and healthy environment for all stakeholders.

Moreover, our commitment to sustainability is reflected in our ongoing efforts to refine and update our environmental management practices. By staying abreast of new developments and incorporating innovative solutions, we strive to exceed industry standards and lead by example in environmental stewardship.

"Currently, 5 Environmental Management Instruments (IGAs) have been approved, 1 is under evaluation, and 1 is in development"



Notes:

- EIA - Environmental Impact Statement
- MEIA - Environmental Impact Statement Modification
- PCM - Mine Clousure Plan
- PAMA - Environmental Management and Adjustment Program
- ITS - Supporting Technical Report

5.3. Environmental Monitoring and Surveillance

The Company has implemented a robust environmental monitoring program designed to rigorously assess and manage the condition of environmental components in accordance with established Environmental Quality Standards and Maximum Permissible Limits. This program is a cornerstone of our commitment to environmental stewardship and regulatory compliance.

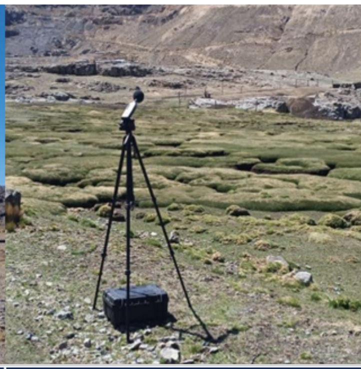
Our monitoring efforts encompass a wide range of environmental factors, including air and water quality, soil conditions, and ecological impacts. By employing state-of-the-art technology and methodologies, we ensure that all aspects of our operations are continuously evaluated against stringent environmental benchmarks. This proactive approach not only helps us maintain compliance with legal requirements but also supports our goal of minimizing our ecological footprint.

In addition to external regulatory compliance, we conduct thorough internal monitoring to assess the efficiency, effectiveness, and reliability of our operations. This includes regular audits and performance evaluations to ensure that our environmental management practices are functioning as intended and delivering the desired outcomes. Our internal monitoring processes are designed to identify potential risks early and implement corrective actions promptly, thereby enhancing operational resilience and sustainability.

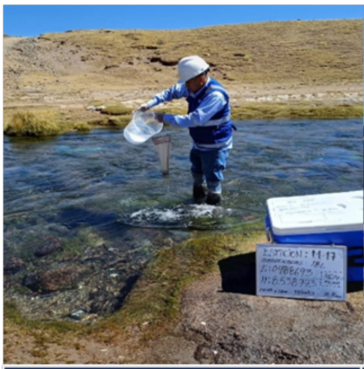
By integrating these comprehensive monitoring and evaluation practices into our operational framework, we are able to maintain a high level of environmental performance and continuously improve our practices. This systematic approach underscores our dedication to responsible environmental management and reinforces our commitment to protecting the natural resources and communities affected by our activities.


Surface Water Quality Monitoring


Air Quality Monitoring


Soil Quality Monitoring


Environmental Noise Quality Monitoring


Hydrobiological Monitoring


Biological Monitoring


Drinking Water Monitoring


Effluent Monitoring

Our environmental monitoring program is conducted on a quarterly basis by a laboratory accredited by the National Institute for the Defense of Competition and Protection of Intellectual Property (INACAL). This accredited laboratory is entrusted with the important task of sampling and analyzing environmental parameters based on the monitoring stations outlined in our Environmental Management Instruments

(IGA), which include the Environmental Impact Assessment (EIA), the Environmental Monitoring and Impact Assessment (MEIA), and the Technical Safety Information (ITS).

The laboratory meticulously follows established protocols to ensure that each sample is collected and analyzed with precision. This thorough process allows us to monitor key environmental components such as air and water quality, soil conditions, and pollutant levels, ensuring that our operations remain within permissible limits and environmental quality standards.

Once the sampling and analysis are completed, the laboratory prepares detailed reports that capture the results of the environmental parameters tested. These reports are then submitted to the Environmental Evaluation and Oversight Agency (OEFA), which oversees regulatory compliance and ensures that our environmental practices align with established guidelines.

By adhering to this rigorous monitoring and reporting process, we not only meet our regulatory obligations but also demonstrate our commitment to environmental stewardship. Our proactive approach in working with accredited laboratories and submitting comprehensive reports to OEFA underscores our dedication to maintaining transparency and upholding the highest standards of environmental responsibility.

Environmental Monitoring	Number of Environmental Monitoring Stations			
	Q1	Q2	Q3	Q4
Air Quality Monitoring	6	6	8	8
Soil Quality Monitoring	2	2	6	6
Effluent Monitoring	5	2	0	3
Ambient Noise Quality Monitoring	0	0	0	2
Surface Water Quality Monitoring	13	10	8	11
Hydrobiological Monitoring	2	11	7	2
Biological Monitoring	0	6	8	0
Total	**28**	**37**	**37**	**32**

5.4. Environmental Supervision

Environmental supervision is a cornerstone of our environmental management framework, integral to ensuring that our mining activities align with sustainability goals and regulatory requirements. This process involves rigorous oversight to verify that operations adhere to established environmental standards and practices, thus safeguarding the surrounding ecosystems.

Effective environmental supervision encompasses a range of activities designed to proactively manage and mitigate potential environmental impacts. It includes regular inspections, detailed assessments, and ongoing evaluations of mining operations to ensure they meet or exceed compliance criteria. This oversight helps in identifying potential issues early, allowing for timely interventions to address and rectify any deviations from environmental standards.

Moreover, environmental supervision is essential for maintaining transparency and accountability in our operations. By meticulously tracking and documenting environmental performance, we not only ensure regulatory compliance but also foster trust with stakeholders, including local communities, regulatory agencies, and investors. This process also supports continuous improvement by providing valuable insights that inform our environmental strategies and practices.

Our commitment to comprehensive environmental supervision reflects our dedication to minimizing our ecological footprint and promoting sustainable mining practices. Through diligent monitoring and proactive management, we aim to balance our operational objectives with environmental stewardship, contributing to the preservation of natural resources and the well-being of affected communities.

OSINERGMIN Supervision

OEFA Supervision

5.5. Environmental Management Plan

Waste Management

At Silver Mountain Resources, effective waste management is a fundamental aspect of our commitment to environmental stewardship and sustainability. Our approach integrates best practices for both organic and non-recyclable waste to minimize our environmental impact and promote a circular economy.

For organic waste generated from our mining camps and dining facilities, we employ a comprehensive composting program. This process not only reduces the volume of waste sent to landfills but also converts organic materials into valuable compost. This compost is then utilized in green areas and rehabilitation projects, enhancing soil quality and supporting local vegetation. By closing the loop on organic waste, we contribute to a more sustainable environment and reduce our overall ecological footprint.

Our waste management strategy reflects our dedication to responsible resource use and environmental protection. By implementing these measures, we aim to not only comply with regulatory standards but also to advance our sustainability goals and foster positive environmental outcomes. Through continuous improvement and innovation in waste management practices, we are committed to achieving greater environmental sustainability and contributing to the overall well-being of the communities in which we operate.

Disposal cell for non-recyclable waste

In managing non-recyclable waste, we utilize a state-of-the-art sanitary landfill designed with an HDPE geomembrane lining. This advanced containment system is crucial for protecting the surrounding soil and groundwater from potential leachates, which could otherwise pose environmental risks. The use of this lining ensures that any leachate generated is effectively contained and managed, thereby safeguarding local ecosystems and maintaining environmental integrity.

In managing hazardous waste, we adhere to strict protocols to ensure safety and environmental protection. Hazardous materials are initially stored in a designated Temporary Hazardous Industrial Waste Storage Facility (DRIP). This facility is specially designed to handle and contain hazardous substances securely until they can be properly disposed of.

For the final disposal of these hazardous materials, we engage a certified Solid Waste Operator Company (EO-RS). This specialized company is responsible for safely transporting and processing the hazardous waste in accordance with regulatory requirements and industry best practices. Their expertise ensures that hazardous materials are handled in a manner that minimizes risks to both human health and the environment.

Hazardous industrial waste storage facility

By maintaining rigorous standards for the storage and disposal of hazardous waste, we are committed to upholding our responsibility for environmental stewardship and public safety. Our approach not only complies with legal obligations but also reflects our broader commitment to sustainable and responsible waste management practices.

We implement a systematic approach to general waste segregation based on the color code specified by the NTP 0900.58.2019 standard. This practice ensures the correct separation of various types of waste, including paper and cardboard, non-recyclable materials, glass, metals, plastics, hazardous substances, and organic waste.

The segregation process is meticulously carried out at our operations, including Reliquias and Caudalosa Grande. Each waste type is sorted into designated containers marked with specific colors to facilitate efficient recycling and proper disposal. This structured method not only supports effective waste management but also promotes recycling and reduces environmental impact by ensuring that each waste stream is handled appropriately.

By adhering to these standardized practices, we enhance the efficiency of our waste management system, contribute to environmental sustainability, and align with regulatory and best practice guidelines. This approach underscores our commitment to responsible resource management and environmental stewardship.

Generation of solid waste at Caudalosa Grande and Reliquias	
Organic	59%
Non-recyclable	25%
Paper and cardboard	6%
Hazardous	5%
Metals	4%
Plastics	1%
Glass	0%

44.65 tons of waste were segregated in 2023

26.37 tons of organic waste generated in 2023

Treatment of Domestic and Industrial Wastewater

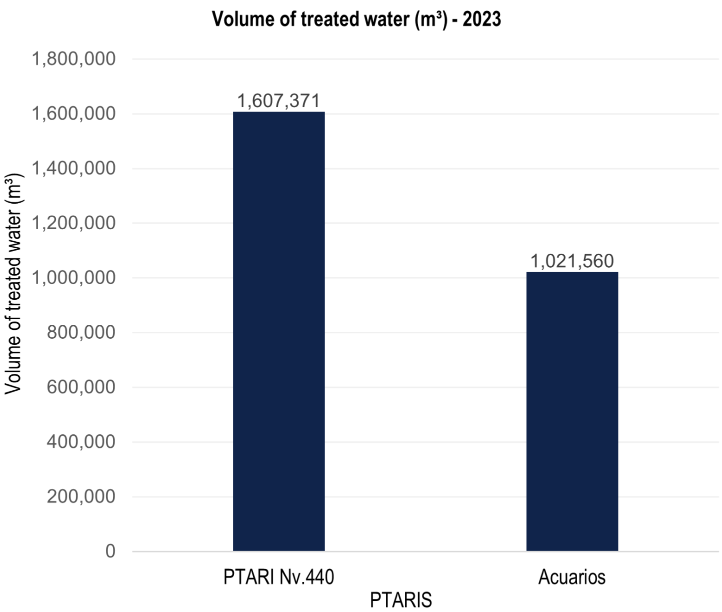
Ensuring access to safe and clean water remains a central priority for us. In 2022, we established a state-of-the-art Drinking Water Treatment Plant (DWTP) to address this critical need. As of 2023, this facility continues to operate effectively, providing reliable access to safe drinking water for all stakeholders involved. This plant represents our ongoing commitment to public health and environmental stewardship.

In parallel, we manage two dedicated Industrial Wastewater Treatment Plants designed specifically to handle mining effluents. These facilities are instrumental in processing wastewater from our operations, ensuring that we meet stringent environmental regulations. By treating industrial wastewater before its release, we significantly contribute to environmental protection and safeguard the health and well-being of the surrounding communities.

Together, these initiatives underscore our commitment to responsible resource management and our proactive approach to minimizing environmental impact. We remain dedicated to continuously improving our systems and practices to ensure sustainability and compliance with the highest standards of environmental care.

PTARI Acuarios

PTARI Nv.440



2,628,931 m³ of treated water

Management of Non-Contact Water

Effective management of non-contact water is a critical aspect of our mining operations. Non-contact water, which includes runoff and water from various natural bodies, must be carefully managed to prevent potential environmental impacts.

Non-contact water channels

To address this, we implement comprehensive management strategies that focus on maintaining and optimizing water channels and infrastructure. Regular upkeep of these channels ensures their efficiency and extends their lifespan, which is crucial for preventing issues related to infrastructure deterioration.

By proactively managing non-contact water, we aim to minimize any adverse effects on the environment, ensuring that our operations remain sustainable and compliant with environmental standards. Our approach reflects our commitment to maintaining high standards of environmental stewardship and operational integrity.

Contact water

Effective management of contact water is a fundamental component of our environmental stewardship. Contact water, which may contain potentially harmful substances, requires meticulous handling to mitigate environmental and health risks.

Our approach involves implementing stringent regulations and preventive measures to manage these waters responsibly. By doing so, we aim to minimize potential hazards, safeguard both the environment and human health, and uphold the sustainability of our operations over the long term.

This commitment to responsible contact water management underscores our dedication to maintaining high environmental standards and ensuring that our mining activities are conducted in a manner that promotes both ecological balance and community well-being.

CHR1 Tailings Dam

Remediation and Management of Green Areas

In 2023, the Company has significantly advanced its commitment to environmental stewardship and sustainability. We have implemented thorough remediation plans designed to address and rehabilitate areas impacted by our operations, ensuring that any environmental effects are effectively managed and mitigated. These initiatives underscore our dedication to environmental protection and reflect our responsibility to the communities in which we operate. Through these proactive measures, we are committed to supporting sustainable development, improving ecosystem health, and fostering positive relationships with local stakeholders.

5.6. Occupational Health and Safety Management

In our operations, prioritizing safety and health is paramount. We are dedicated to creating and maintaining a work environment that prioritizes the well-being of our employees, striving to prevent accidents, injuries, and illnesses through the rigorous application of policies, programs, and safety standards. Our approach includes implementing comprehensive Safe Work Procedures (SWPs) and adhering to best safety practices designed to minimize risks in both underground and surface operations.

Throughout 2023, our commitment to safety yielded significant results: there were no fatal or incapacitating accidents reported, and we achieved a frequency, severity, and accident rate of zero. This exemplary performance is the result of various proactive measures, including the enforcement of safety standards, execution of SWPs, regular safety drills, and continuous monitoring to ensure corrective actions are effectively implemented.

Moreover, our safety management system was further strengthened by identifying 14 critical risks associated with our current and future operations. This proactive risk assessment enabled us to establish and refine standards and controls aimed at minimizing the likelihood of accidents related to these risks. By involving supervision in the safety management process and demanding high performance standards, we aim to sustain and enhance our safety culture, ensuring a secure and healthy working environment for all our employees.

N°	Indicators	Cumulative 2023
1	Total Number of Workers (Average)	184
2	Man-Hours Worked	417,676.14
3	Incidents	0

4	Dangerous Incidents	0
5	Minor Accidents	0
6	Incapacitating Accidents	0
7	Fatal Accidents	0
8	Accidents with Property Damage	0
9	Lost Days	0

6 SOCIAL & LEGAL MANAGEMENT

SECTION VI: SOCIAL AND LEGAL MANAGEMENT

Commitment to Communities

Our dedication to the advancement of the communities surrounding the Reliquias Mine reflects our deep commitment to fostering positive relationships and contributing to local development. The mine operates on surface lands belonging to two rural communities: Sallcca Santa Ana, which is situated in the Districts of Santa Ana and Castrovirreyna, within the Province of Castrovirreyna, Department of Huancavelica. These communities are characterized by concentrated populations residing in various villages and annexes.

Our engagement with these communities is more than just a commitment; it is an integral part of our operational philosophy. We actively collaborate with local stakeholders to support their socio-economic growth, enhance their quality of life, and ensure that our mining activities align with their needs and aspirations. Through targeted development projects, community programs, and regular dialogue, we strive to make a meaningful impact and build sustainable relationships that benefit both the local population and our operations.

According to the latest census by the National Institute of Statistics and Informatics (INEI), the Province of Castrovirreyna has a population of 13,982 residents. This data provides a clear snapshot of the local demographic, which is essential for effective community engagement and planning.

Community	Ambit/Villages impacted
Sallcca Santa Ana	Direct influence: Caudalosa Grande, San Genaro, and Santa Rosa. Indirect influence: Santa Ana, La Libertad, and Pucapampa.
Castrovirreyna	Direct influence: Pacococha. Indirect influence: Castrovirreyna, Cabracancha, Cocha, Pucacancha, Cruzpata, and Recio.

Our goal is to be a leading example in local development by adopting a territorial approach that fosters sustainable and inclusive growth. We are dedicated to collaborating closely with the communities we impact, striving to bridge socioeconomic gaps and enhance quality of life. By focusing on employment opportunities, training, development projects, and infrastructure improvements, we aim to create a harmonious environment where all stakeholders contribute to a productive and sustainable future.

Working Approach

During 2023, our strategic emphasis has been on rebuilding and strengthening relationships with the communities we impact. This effort aims to restore and build trust, fostering a collaborative atmosphere. Our approach involves actively engaging with community stakeholders to understand their needs and concerns, which is essential for negotiating and finalizing Surface Land Use Agreements for the areas where our company holds concessions. This proactive engagement is crucial for ensuring that agreements are mutually beneficial and aligned with both community interests and our operational requirements. By focusing on these relationships, we seek to create a solid foundation for long-term cooperation and sustainable development.

Community of Castrovirreyna

The Company has successfully maintained smooth and amicable coordination with the board of directors of the Community of Castrovirreyna, including its seven annexes. This positive relationship has facilitated the successful finalization of the Usufruct Agreement, demonstrating the community's strong organizational structure and institutional capacity.

The Community of Castrovirreyna is characterized by its well-organized leadership and effective governance. The main community leaders have demonstrated a commendable ability to collaborate with the presidents of the annexes, ensuring that communication regarding the agreements is effectively relayed to all community members. This collaborative approach has been pivotal in fostering mutual understanding and facilitating the progress of agreements.

Through these coordinated efforts, several key activities have been successfully executed in collaboration with the annexes, contributing to the overall development and strengthening of community relations. Below is a summary of these significant activities and their outcomes:

Area	Degree of social influence	Ambits	Criteria
Area 2: Castrovirreyna	Direct	Pacococha	Coordination with the board for the of mapping, topography, prospecting, and other works on their lands.
			Informative workshop on the development of the community development plan.
			Participation in community assemblies to provide updates on the project and address environmental liabilities.
			Assistance with heavy machinery for the repair of the drinking water system and donation of pipes for the replacement of the drainage system.
			Technical review of computer equipment and computer training for children, youth, and adults within the premises of the Pacococha Community House, led by personnel from the Social Management department.
			Donation of football uniforms and provisions. Christmas campaign in support of community members and children.

	Indirect	Castrovirreyna, Cabracancha, Cocha, Pucacancha, Cruzpata, and Recio.	Participation in various cultural and sports activities held in the annexes. Donation of roofing sheets for the Pucacancha annex for communal roofing. Regular relationship-building visits to authorities and residents. Informational workshops in each annex regarding the development of the community development plan. Territorial tours to identify socio- economic gaps. Christmas campaign in support of community members and children.

Community of Sallcca Santa Ana

Currently, the Community of Sallcca Santa Ana is in a transitional phase with its leadership structure, which has created a unique opportunity for strategic engagement and collaboration. In response to this situation, we are actively engaging with the community to foster a constructive dialogue and develop a robust framework for collaboration. As part of our strategic approach, we have been working on the Community Development Plan (CDP), which aims to identify and address socioeconomic and infrastructure needs within the territory. This plan outlines essential projects for sustainable development and explores potential sources of financing from various levels of government and international cooperation.

Our goal is to strengthen our partnership with the Community of Sallcca Santa Ana by aligning our efforts with their development priorities and securing mutually beneficial agreements. Below is a summary of the activities we have undertaken to support and enhance the community's development:

Area	Degree of social influence	Ambits	Criteria
	Direct	San Genaro	The residents have chosen to remain reserved and abstain from participating in any activities with the mining Company and other entities.
	Direct	Caudalosa Grande	Ongoing participation in community assemblies of the annex. Conducting technical workshops and territorial tours. Involvement in customary activities, including the donation of provisions for lunch events. Continuous meetings with key authorities. Provision of a concrete mixer, form work panels, and donation of cement bags for the construction of a church. Environmental monitoring and dissemination of environmental treatment activities to be carried out in the tailings dam. Inspection of the annex's water system and assessment for improvement. Conducting a canine vaccination campaign. Occasional social support initiatives. Christmas campaign in support of community members and children.

Area 1: Sallcca Santa Ana	Direct	Santa Rosa	Donation of firewood for customary activities. Regular participation in community assemblies. Involvement in customary activities and donation of provisions for lunches. Conducting participatory workshops. Opening work opportunities for vulnerable women in the community. Implementation of a Christmas campaign.
	Indirect	Santa Ana	Dissemination of information about the project's status and progress to authorities and residents. Donation of firewood for customary activities. Provision of provisions for lunch events. Participation in religious customary festivities.
	Indirect	La Libertad Pucapampa	Participation in community assemblies and dissemination of activities, including the development of the concerted development plan. Involvement in festivities commemorating the annex anniversary and donation of provisions for lunch. Conducting technical workshops. Implementation of a Christmas campaign.

Relationship with Other Stakeholders

Santa Ana District Municipality

- Training for the technical team of the Municipality in improving public management, budgetary programs, and budget execution.
- Proposal for the signing of a Memorandum of Understanding to promote joint projects for the benefit of the Sallca Santa Ana community. The Memorandum is currently under review by the Municipality for signing.
- Monthly participation as members of the Local Coordination Committee, organized by the district municipality of Santa Ana.
- Support from the Municipality in disseminating job announcements from the Company.
- Joint participation in a Multisectoral Campaign against anemia and chronic child malnutrition.

Educational Institutions

- Coordination with directors of different educational institutions in the district regarding social support and donations.
- Electrical repairs in the facilities of the primary school in Caudalosa Grande.
- Implementation of the first Vocational Guidance Talk Program.
- Donation of sports equipment and articles to various institutions.

Provincial Municipality of Castrovirreyna

- Training for the technical team of the Municipality with the consultant's staff to improve Public Management, Budgetary Programs, and Budget Execution.
- Donation of 540 toys to contribute to the Municipal Christmas campaign.
- Signing of a Memorandum of Understanding to promote projects in favor of impacted communities.

Regional Government of Huancavelica

- Working meetings with the regional director of Agriculture, the specialist of rural communities, the director of Education, Planning Manager, and Director of Health to share information necessary for the advancement of community development plans for the communities of Castrovirreyna and Santa Ana.
- Meeting with Planning Manager and Natural Resources Manager to agree on bilateral technical collaboration.

Ministry of Energy and Mines

- Protocol meetings to inform about the Company's work.
- Coordination of prior consultations in communities found on the list of indigenous peoples of the Ministry of Culture (MINCUL - Ministerio de Cultura).

The Company actively seeks to engage with various institutions, particularly those at municipal, regional, and national levels, to coordinate and execute projects that deliver tangible benefits to our areas of influence. This strategic approach facilitates joint management efforts with government bodies and international cooperation agencies, enhancing our ability to attract essential resources and support to the region.

By working collaboratively with these institutions, we can effectively prioritize and implement projects outlined in the Community Development Plans, ensuring they address genuine local needs and demands. This partnership approach not only aligns with our commitment to addressing immediate community requirements but also fosters long-term, sustainable development.

The Company is dedicated to leaving a meaningful legacy by contributing to the enduring growth and prosperity of the communities in which we operate. We believe that empowering a community to utilize its resources effectively and address its challenges is key to achieving sustained progress. Our goal is to support and facilitate the development of communities so they can thrive and continue to advance even after our direct involvement has concluded.

Environmental and Legal Agreements

In our commitment to environmental stewardship, the Company has developed and implemented comprehensive environmental management tools that align with both general and specific mining sector regulations. These tools are designed to ensure rigorous adherence to environmental standards, the protection of biodiversity, and the preservation of cultural heritage. Our approach reflects a dedication to not only meeting but exceeding regulatory requirements to safeguard the environment and enhance the sustainability of our operations.

Regarding legal permits, we are currently in the process of reviewing our mine closure plan. The legal department has indicated that we anticipate receiving approval for this plan in the latter half of the year. This approval is crucial as it will ensure that we adhere to all necessary legal and environmental guidelines for the responsible closure of our mining operations.

Additionally, the Company has cultivated and sustained positive relationships with communities affected by our projects. A significant milestone was achieved with the formalization of a usufruct agreement with the Community of Castrovirreyna, covering the land on which our concessions are situated. This agreement underscores our commitment to working collaboratively with local stakeholders and reinforces our dedication to respecting community rights while advancing our projects.

Signature of the Framework Agreement for Interinstitutional Cooperation between AGmR and the Provincial Municipality of Castrovirrreyna

Conducting exploration, mapping, prospecting, and other activities.

Approval Assembly for the signing of the Usufruct and Social Contribution Agreement between the Peasant Community of Castrovirreyna and SMR

Participatory Monitoring with the presence of the Environmental Monitoring Committee of the Caudalosa Grande Annex

Participation in various activities carried out in the communities within our area of influence.

Participation in activities and distribution of gifts for the Elderly Day in the District of Santa Ana.

Conducting Psychopedagogical Workshops in various Educational Institutions

Community engagement with members of the various peasant communities in our area of influence

7 FINANCIAL RESULTS

SECTION VII: FINANCIAL RESULTS

7.1. Independent Auditor's Report

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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.

BDO

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

7.2. Balance Sheet

As of	As of Dec 31. 2023	As of Dec 31. 2022	23YE vs 22YE	
	US$M	*US$M*	*US$M*	*%*
Current Assets				
Cash and cash equivalents	$4.7	$8.8	-$4.1	-47%
Restricted Cash	$0.3	$0.2	$0.1	11%
Amounts receivable	$0.1	$0.1	$0.0	-17%
Prepaid expenses	$0.3	$0.6	-$0.3	-53%
Total Current Assets	**$5.3**	**$9.7**	**-$4.4**	**-46%**
Non-Current Assets				
Property, plant and equipment	$0.4	$0.4	$0.0	-11%
Exploration and evaluation costs	$24.2	$15.6	$8.6	55%
Prepaid expenses	$0.0	$0.1	-$0.1	-100%
Tax credits	$3.5	$2.0	$1.5	77%
Total Current Assets	**$28.1**	**$18.1**	**$10.0**	**56%**
Total Assets	**$33.4**	**$27.8**	**$5.6**	**20%**
Current Liabilities				
Amounts payable and other payables	$1.6	$2.1	-$0.5	-27%
Total Current Liabilities	**$1.6**	**$2.1**	**-$0.5**	**-27%**
Non-Current Liabilities				
Warrant Liability	$0.9	$0.5	$0.4	89%
Total Non-Current Liabilities	**$0.9**	**$0.5**	**$0.4**	**89%**
Total Liabilities	**$2.5**	**$2.6**	**-$0.1**	**-5%**
Shareholder's Equity				
Share capital	$42.1	$34.3	$7.8	23%
Contributed surplus	$1.1	$0.7	$0.4	48%
Deficit	-$12.3	-$9.9	-$2.4	24%
Total Shareholder's Equity	**$30.9**	**$25.1**	**$5.8**	**23%**

7.3. Profits & Loss

	Year End December 31			
	2023	2022	23 V 22	
	US$M	*US$M*	*US$M*	*%*
Operating Expenses				
G&A	-$3.5	-$5.8	$2.3	-39%
Share based Compensation	-$0.9	-$0.6	-$0.3	35%
Operanting Loss	**-$4.4**	**-$6.4**	**$2.0**	**-31%**
Financial Expenses	$0.0	-$0.5	$0.5	-98%

FX Gain (Loss)	$0.1	-$0.9	$1.0	-114%
Realized gain on disposal of property, plant and equipment	$0.0	$0.0	$0.0	-100%
Unrealized gain on revaluation of warrant liabiliy	$1.2	$2.6	-$1.4	-53%
Net & Comprehensive Loss	**-$3.1**	**-$5.2**	**$2.1**	**-42%**

7.4. Cash Flow

	Year End December 31			
	2023	2022	23 V 22	
	US$M	*US$M*	*US$M*	%
Operating Activities				
Net Loss of the Period	-$3.1	-$5.3	$2.2	-42%
Non-Cash Items	-$0.3	-$1.3	$1.0	-73%
Changes in WK Items	-$2.0	-$2.3	$0.3	-14%
Total Operating Activities	**-$5.4**	**-$8.9**	**$3.5**	**-39%**
Investing Activities				
Exploration cost additions	-$7.6	-$5.4	-$2.2	40%
Purchase of mining concessions	-$0.1	-$0.1	$0.0	-
PP&E (net)	-$0.1	-$0.2	$0.1	-
Restricted Cash	$0.0	-$0.2	$0.2	-
Total Investing Activities	**-$7.8**	**-$5.9**	**-$1.9**	**32%**
Financing Activities				
Proceeds from issuance of shares in Offering (net)	$6.6	$0.0	$6.6	-
Proceeds from issuance of shares in IPO (net)	$3.0	$19.5	-$16.5	-84%
Repayment of loan	$0.0	-$2.9	$2.9	-100%
Total Financing Activities	**$9.6**	**$16.6**	**-$7.0**	**-42%**
Net Change in Cash	**-$3.6**	**$1.8**	**-$5.4**	**-300%**
Beginning Cash Balance	**$8.8**	**$7.0**	**$1.8**	**25%**
Total Ending Cash Balance	**$5.2**	**$8.8**	**-$3.6**	**-41%**

7.5. Analysis and comments on the Financial Statements

Financial instruments, as defined by accounting standards, encompass various assets and liabilities held by a company. These include, but are not limited to, cash, accounts receivable, and accounts payable. Each of these elements is crucial to the financial health and operational effectiveness of the company.

As of December 31, 2023, and 2022, management has evaluated that the fair value of these financial instruments does not materially differ from their carrying amounts. This conclusion is based on the prevailing market conditions and the inherent nature of the financial instruments. Therefore, the disclosure of fair value information for these instruments does not impact the consolidated financial statements for these periods.

In the consolidated statements of financial position, financial assets and liabilities are presented according to their respective categories. This detailed presentation provides insight into the company's financial position, illustrating the distribution and value of financial assets and liabilities. By offering this level of detail, we aim to enhance stakeholders' understanding of the company's liquidity, financial stability, and overall financial performance.

	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
	US$M	*US$M*	*US$M*	*US$M*	*US$M*	*US$M*
ASSETS						
Cash and cash equivalents	$4.66	$0.00	$4.66	$8.77	$0.00	$8.77
Amounts receivable and other assets	$0.00	$0.07	$0.07	$0.00	$0.08	$0.08
Restricted cash	$0.27	$0.00	$0.27	$0.24	$0.00	$0.24
	$4.9	**$0.1**	**$5.0**	**$9.0**	**$0.1**	**$9.1**

(a) Fair value hierarchy

To enhance the consistency and comparability of fair value measurements, a comprehensive fair value hierarchy has been established. This hierarchy classifies the input data used in valuation techniques into three distinct levels:

Level 1: This category comprises quoted prices (unadjusted) for identical assets or liabilities that are traded in active markets. These prices provide the most reliable evidence of fair value and are utilized without adjustment when available. The use of Level 1 inputs ensures the highest level of accuracy in fair value measurement, reflecting current market conditions.

Level 2: This level includes inputs other than quoted prices that are observable either directly (e.g., as prices) or indirectly (e.g., derived from prices). Valuation techniques utilizing these observable inputs are considered less precise than those using Level 1 inputs but still provide a reasonable basis for fair value measurement. Level 2 inputs may involve market data such as interest rates, credit spreads, or similar observable inputs that influence the valuation of financial instruments.

Level 3: This level consists of inputs that are not based on observable market data. Techniques employing unobservable inputs—such as estimates, forecasts, and assumptions—significantly affect the fair value measurement. These inputs require a higher degree of judgment and are subject to significant uncertainty. As such, Level 3 represents the least reliable measurement of fair value and requires detailed disclosure to provide transparency into the underlying assumptions.

For the Company, the carrying amount of cash and cash equivalents is aligned with their fair value, reflecting their liquid nature and immediate availability. Similarly, the carrying amounts of receivables, payables, and other short-term financial obligations approximate their fair values due to their short-term maturity. As of December 31, 2023, the Company did not hold any financial instruments recorded at fair value requiring classification within the fair value hierarchy, with the notable exception of warrant liabilities, which are classified as Level 1. This reflects the straightforward nature of their valuation based on quoted market prices.

(b) Risk management policies

The Company’s operations inherently expose it to various financial risks that could impact its financial assets, liabilities, and future cash flows. The primary risks under consideration are liquidity risk, credit risk, and exchange rate risk. To mitigate these risks and minimize their potential adverse effects, the Company has established a robust risk management program.

The Company’s risk management policies are designed to identify, assess, and manage these risks effectively. Management, guided by its knowledge and experience, regularly reviews and adjusts these policies to align with current market conditions. The Board of Directors approves these risk management strategies, ensuring they are consistent with the Company's overall objectives and risk tolerance.

Below, we provide a detailed discussion of the risks associated with the Company's financial assets and liabilities, highlighting how these risks are managed and controlled.

(c) Liquidity risk

Liquidity risk pertains to the potential challenge of not having sufficient cash to meet financial obligations when they become due, and potentially incurring higher costs in the process. To address this risk, the Company employs a rigorous approach to managing liquidity by strategically aligning the maturities of its assets and liabilities. This approach ensures that there is a balance between the inflow of financing, projected future income, and anticipated payments.

To manage liquidity effectively, the Company prioritizes several key strategies. Regular cash flow forecasts are prepared to anticipate future cash requirements, ensuring that sufficient liquidity is available to meet obligations as they arise. By carefully managing the maturity profiles of assets and liabilities, aligns expected cash inflows with outflows, minimizing liquidity risk and ensuring that funds are available when needed. Historically, liquidity risk was mitigated through a loan payable, which provided additional cash flow support. The Company continuously evaluates and adjusts its liquidity strategies to adapt to changing market conditions and business needs, maintaining a robust liquidity position to meet financial obligations in a timely manner.

As at December 31, 2023	Less than one year	More than one year	Total
Amounts payable and other payables	$1.57	$0.00	$1.57

As at December 31, 2023	Less than one year	More than one year	Total
Amounts payable and other payables	$2.14	$0.00	$2.14

(d) Credit risk

Credit risk refers to the potential for financial loss due to the inability of counterparties to meet their obligations. The Company's financial assets that are susceptible to credit risk primarily include bank deposits, amounts receivable, and tax credits receivable. To mitigate this risk, the Company strategically manages its exposure by maintaining deposits and investing cash in reputable and well-established financial institutions. This approach minimizes the likelihood of significant credit risk concentrations by diversifying investments across multiple institutions and setting limits on exposure with each one and employs rigorous credit evaluation procedures and ongoing monitoring to assess the creditworthiness of its counterparties, thereby minimizing potential losses. The Company believes that the risk of loss related to amounts receivable and tax credits receivable remains minimal, thanks to these prudent management practices and the robust financial health of its counterparties.

(e) Exchange risk

Exchange risk arises from fluctuations in currency exchange rates that can impact the Company's financial performance. Most of the transactions are conducted in U.S. dollars; however, there is some exposure to exchange rate variations due to supplier invoices and amounts receivable in Peruvian Soles, as well as cash and cash equivalents held in Canadian dollars. These items are reported in the consolidated statements of financial position at the exchange rates applicable at the end of the reporting period.

To manage this foreign exchange risk, the Company closely monitors cash flows in currencies other than its functional currency. When expenditures in Peruvian Soles exceed the available balance in that currency, engages in currency exchange operations to align cash flows and mitigate exposure. Transactions in foreign currencies are executed at prevailing spot exchange rates to minimize potential losses.

The Company actively manages its exposure to foreign currencies, specifically the Peruvian Soles and Canadian dollars, through careful planning and strategic currency exchange practices. The financial assets and liabilities denominated in these currencies are detailed as follows:

	As at December 31, 2023	As at December 31, 2022
Cash and cash equivalents	$1.38	$5.92
Amounts receivable and other assets	$0.04	$0.08
Prepaid expenses	$0.03	$0.01
Amounts payable and other payables	-$0.63	-$1.31
Warrant liabilities	-$0.92	-$0.49
Net (liabilities assets)	**-$0.10**	**$4.21**

As of December 31, 2023, and 2022, management has chosen to assume the exchange risk associated with its financial positions rather than employing hedging strategies using derivative products. This approach reflects the current risk management framework and strategic considerations. As a result, a net foreign exchange loss of $129,474 was recorded for the year ended December 31, 2023, a notable reduction from the loss of $896,460 reported for the year ended December 31, 2022.

To evaluate the potential impact of exchange rate fluctuations, a sensitivity analysis was conducted for the years ending December 31, 2023, and 2022. This analysis examines the effect of variations in the exchange rates of the Peruvian Sol and Canadian dollar relative to the functional currency, assuming all other factors remain constant. The findings, detailed in the accompanying table, demonstrate how changes in these exchange rates could affect financial assets and liabilities denominated in these currencies.

This sensitivity analysis offers insights into the potential financial implications of currency exchange rate volatility on pre-tax losses. Understanding these potential impacts enables more effective management of currency exposure and refinement of risk management strategies.

Year Ended December 31, 2023	
Percentage change in exchange rate	Effect on profit or loss for the year
+ 5	-$5,179
- 5	$5,179

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

8 ADDITIONAL INFORMATION

SECTION VIII: ADITIONAL INFORMATION

8.1. Year in Review: Achievements and Developments during 2023

On January 11, 2023, the Company announced additional results from its 2022 underground drilling campaign at the Castrovirreyna Project, with the Company reporting the results of twelve holes drilled to test the Meteysaca vein.

On January 17, 2023, the Company announced new results from underground channel sampling at the Castrovirreyna Project. Assays were received for 299 rock samples taken along 175 m of the Sublevel 735-2, part of the 390 m level of the Matacaballo structure.

On January 25, 2023, the Company announced further results from its recently completed 2022 underground drilling campaign with a total of 16,955 metres drilled in 71 bore holes at the Castrovirreyna Project, with the Company reporting the results of four holes drilled to test the Perseguida vein.

On February 9, 2023, the Company closed a bought deal prospectus offering of 31,050,000 units at a price of $0.30 per unit for aggregate gross proceeds of $9,315,000 (the "Bought Deal Offering"), which included the exercise of the over-allotment option to purchase an additional 4,050,000 units at $0.30 per unit. Each unit was comprised of one Common Share and one-half of one 2023 Warrant. Each 2023 Warrant entitles the holder thereof to acquire one Common Share at an exercise price of $0.45 per Common Share for a period of 36 months following the closing of the Bought Deal Offering.

On February 14, 2023, the Company announced new results from underground channel sampling at the Castrovirreyna Project. Assays were received for 436 rock samples taken from level 480 of the Meteysaca Vein and adjacent workings.

On February 23, 2023, the Company announced that a porphyry coper target was recognized at the Yahuarcocha and Guanajato zones, within the Company's 20,000-ha Reliquias property block at the Castrovirreyna Project.

On February 27, 2023, the 2023 Warrants commenced trading on the TSXV under the symbol "AGMR.WT.A".

On March 8, 2023, the Company announced the final drill holes of the 2022 drill campaign at with a total of 16,955 m drilled in 71 bore holes at the Company's Reliquias Mine. Most of the bore holes tested the Pozo Rico, Perseguida, Matacaballo, Vulcano and Escondida veins.

On March 28, 2023, the Company announced that Alvaro Espinoza had been appointed as the Chief Executive Officer of the Company, effective April 1, 2023. In connection with his appointment, Mr. Espinoza was granted an aggregate of 650,000 options to acquire Common Shares. The options are exercisable at a price of $0.38 per share for a period of four years. Concurrently with the announcement of Mr. Espinoza as Chief Executive Officer, the Company announced the resignation of Alfredo Bazo as Chief Executive Officer and a director of the Company, effective April 1, 2023.

On March 29, 2023, the Company announced new results for the first 19 drill holes of its underground infill drilling program at the Reliquias Mine. Assays were received for 19 holes drilled to test the Ayayay, Matacaballo and Sorpresa structures and adjacent vein splays.

On April 11, 2023, the Company announced its Mineral Resource Estimate for the Reliquias Mine at the Castrovirreyna Project. The Mineral Resource Estimate is based on 60 diamond drill holes, with a total of 13,640.80 metres, completed by the Company between April and October 2022.

On May 1, 2023, the Company announced that Jean Pierre Fort had resigned from his position as Chief Financial Officer, effective May 9, 2023 and that Alejandro Arrieta, the Company's Deputy Manager of Finance and Human Resources, was assuming the role of Interim Chief Financial Officer effective May 9, 2023.

On May 9, 2023, the Company announced new results from underground channel sampling at the Reliquias Mine. The Company announced that several existing drifts and sublevels were mapped and systematically sampled along channels cut across the exposed veins.

On May 15, 2023, the Company announced that it had filed the Technical Report supporting the mineral resource estimate for the Reliquias Mine.

On June 14, 2023, the Company announced that it had appointed Juan Carlos Ortiz to act as lead independent director of the Board.

On June 30, 2023, the Company announced that Julio Jose Arce Ortiz, Alfredo Plenge Thorne, Jose Vizquerra, Juan Carlos Ortiz, and Timothy Loftsgard had been elected to the Board at the annual general and special meeting of shareholders of the Company held on June 27, 2023. The Company also announced that BDO Canada LLP had been re-appointed as the auditors of the Company and that shareholders had approved the Company's omnibus equity incentive plan.

On July 19, 2023, the Company announced the results from 32 drill holes completed between December 2022 and May 2023 as part of the first phase of its infill and resource expansion drilling program at the Reliquias Mine. The Company also provided an update on its ongoing mine rehabilitation program, aimed at a future re-start of production from the historic silver-zinc-lead deposit.

On July 20, 2023, the Company announced that Alejandra Soto had been appointed as the Chief Financial Officer of the Company. In connection with her appointment, Ms. Soto was granted an aggregate of 225,000 options to acquire Common Shares. The options are exercisable at a price of $0.38 per share for a period of four years.

On August 16, 2023, the Company announced results from channel sampling completed between December 2022 and May 2023, and from the first four drill holes from Phase 2 of its 2023 infill and resource expansion program at the Reliquias Mine. A total of 800 samples were collected from the Sorpresa, Pozo Rico, Matacaballo, Perseguida and Meteysaca veins. All samples were collected perpendicular to the veins using portable rock saws. The Company also announced that it had received final approval of an Informe Técnico Sustentatorio permit, allowing it to add twenty surface drill platforms on the Pasteur zone.

On September 20, 2023, the Company announced that it had received approval from Peru´s Ministry of Energy and Mines for its Environmental Impact Declaration for the Dorita block, one of three groups of mining concessions which make up the Reliquias Mine. This authorization allows the Company to drill 60 diamond holes in 21 drill platforms over 15 months, to build access roads, and to build any other component needed for its approved activities.

On September 27, 2023, the Company announced the discovery of the Natividad vein, a new copper rich vein at the Reliquias Mine. The Company also announced that results from three of the initial four drill holes completed at Natividad had been received (as part of Phase 2 of the Company's 2023 infill and resource expansion program) and such drilling also hit high gold and silver grades near the Sacasipuedes vein, within a mineralized breccia body with strong argillic alteration.

On October 4, 2023, the Company announced results from fourteen additional drill holes from its ongoing infill and resource expansion program at the Reliquias Mine as part of Phase 2 of the Company's 2023 infill and resource expansion program.

On October 12, 2023, the Company announced the receipt of results from six additional drill holes completed at the Reliquias Mine as part of the Phase 2 of the 2023 drilling campaign. The Company also announced that it had completed 12,043 metres of diamond drilling from 43 holes, received results for 28 drill holes, and had three underground drill rigs in operation at the Reliquias Mine.

On October 12, 2023, the Company announced that it intended to complete a non-brokered private placement of up to 60,000,000 units of the Company, at a price of USD$0.05 per unit, for aggregate gross proceeds of up to USD$3,000,000. Each unit was comprised of one Common Share and one-half Common Share purchase warrant. Each whole warrant entitles the holder thereof to acquire one Common Share at an exercise price of $0.09 per Common Share for a period of 36 months following the closing.

On October 17, 2023, the Company announced that it had received results from underground channel sampling carried out between June and August 2023, part of its ongoing mine rehabilitation program at the Reliquias Mine. The Company also announced that a total of 3,499 samples were collected from the Sorpresa, Matacaballo, Perseguida, Meteysaca, Pozo Rico, Beatita, Pasteur and Vulcano veins. All samples were collected perpendicular to the veins using portable rock saws.

On October 25, 2023, the Company announced the completion of the geotechnical study at the Reliquias Mine. The Company also announced that in early 2023 it established a two-pronged strategy to advance the mine rehabilitation and engineering needed towards restarting operations at the Reliquias Mine, based on the Mineral Resource Estimate published on April 12, 2023 and incorporating new areas to be drill tested during Phase 2 of the 2023 drill program.

On November 10, 2023, the Company announced, that further to its announcement on October 12, 2023, it had closed the initial tranche of an over-subscribed non-brokered private placement of 62,190,000 units of the Company, at a price of USD$0.05 per unit, for aggregate gross proceeds of USD$3,109,500 (the "November 2023 Unit Offering"). The Company issued an aggregate of 58,696,550 units on the initial close and the balance of the 3,493,450 units were expected to be issued shortly thereafter. Each unit was comprised of one Common Share and one-half Common Share purchase warrant. Each whole warrant entitles the holder thereof to acquire one Common Share at an exercise price of $0.09 per Common Share for a period of 36 months following the initial closing. The Company paid an aggregate of USD$18,000 in finder's fees in connection with the November 2023 Unit Offering.

On November 21, 2023, the Company announced the final batch of results from the second phase of its 2023 underground drilling campaign at the Reliquias Mine. The Company also announced that drill rigs had been demobilized, and the Company's geologists were finalizing the database to be used in the upcoming resource update incorporating all results from the work carried out.

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