BEAR CREEK MINING CORPORATION

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023

EXPRESSED IN US DOLLARS

(Unaudited)

Bear Creek Mining Corporation

Interim Condensed Consolidated Statements of Financial Position

Unaudited US Dollars (000's)

	Note		March 31, 2023		December 31, 2022
ASSETS					
Current assets					
Cash	4	**$**	**2,595**	$	3,484
Short-term investments			**21**		21
Inventory	6		**17,326**		24,595
Receivables	5		**5,994**		5,736
Prepaid expenses and deposits			**1,031**		2,105
Tax Receivables			**1,923**		1,544
			28,890		37,485
Non-current assets					
Restricted cash			**1,653**		1,304
Property and equipment	7		**140,005**		147,239
Resource property costs	8		**88,727**		88,704
Right-of-use assets			**310**		421
TOTAL ASSETS		**$**	**259,585**	$	275,153
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	9	**$**	**29,887**	$	31,407
Current portion of community projects and other obligation	14		**1,118**		1,102
Current portion of deferred revenue	11		**14,254**		13,059
Current portion of prepay and stream arrangements	12		**9,037**		9,880
Current portion of lease liabilities			**252**		362
Taxes payable			**3,227**		2,414
Note payable	16		**4,935**		4,693
Mercedes acquisition payment	1 & 3		**26,141**		25,729
			88,851		88,646
Non-current liabilities					
Accounts payable	9		**1,107**		1,035
Community projects obligation	14		**8,337**		8,017
Convertible debenture	10		**19,914**		20,249
Deferred revenue	11		**12,294**		16,627
Prepay and stream arrangements	12		**10,251**		10,678
Deferred tax liabilities			**1,531**		1,639
Other liabilities	15		**822**		804
Provision for site restoration	13		**13,596**		13,293
			156,703		160,988
EQUITY					
Share capital	17		**352,232**		352,019
Shares to be issued			**-**		107
Contributed surplus			**39,696**		39,443
Deficit			**(289,046)**		(277,404)
			102,882		114,165
TOTAL LIABILITIES AND EQUITY		**$**	**259,585**	$	275,153

Going Concern (Note 1)
Subsequent Events *(Note 22)*

ON BEHALF OF THE BOARD: Signed "Catherine McLeod-Seltzer", Director Signed "Erfan Kazemi", Director

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

Bear Creek Mining Corporation

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

For the Three Months Ended March 31

US Dollars (000's, except share data)
(Unaudited)

	Note		2023		2022
Revenue	18		**24,281**		-
Cost of Sales			**(14,375)**		-
Depletion, amortization, and depreciation			**(11,166)**		-
Gross Profit			**(1,260)**		-
Operating expenses					
Corani engineering and evaluation costs	8a	**$**	**(1,625)**	$	(2,259)
Other exploration and evaluation costs	8b		**(896)**		(248)
Share-based compensation			**(253)**		(160)
Wages and management salaries	19		**(224)**		(274)
Professional and advisory fees			**(105)**		(182)
General and administrative expenses			**(1,532)**		(144)
Loss before other items			**(5,895)**		(3,267)
Other income and expense					
Foreign exchange loss			**(1,501)**		(809)
Interest expense	1		**(1,112)**		-
Accretion expense	10,14		**(1,457)**		(46)
Gain on valuation of conversion option	10, 16		**742**		-
Change in fair value of prepay and stream arrangements	12		**(1,980)**		-
Other income			**89**		9
Comprehensive loss for the period before taxes		**$**	**(11,114)**	$	(4,113)
Net current special mining duty			**(638)**		-
Net deferred income tax recovery			**110**		-
Comprehensive loss for the period after taxes		**$**	**(11,642)**	$	(4,113)
Loss per Share – Basic and Diluted		**$**	**(0.08)**	$	(0.03)
Weighted Average Number of Shares Outstanding			**154,528,815**		124,273,132

Bear Creek Mining Corporation

Interim Condensed Consolidated Statements of Cash Flows

For the Three Months Ended March 31

US Dollars (000's)
(Unaudited)

	Note		2023		2022
Operating Activities					
Loss for the period		**$**	**(11,642)**	$	(4,113)
Items not affecting cash:					
Share-based compensation			**253**		160
Share for services	17		**106**		-
Depletion, depreciation, and amortization for Mercedes			**11,166**		-
Amortization for exploration and administration			**140**		175
Accretion expense	10, 13,14,16		**1,457**		46
Accretion of community projects obligation	14		**222**		209
Finance income			**(43)**		(9)
Unrealized foreign exchange (gain) loss			**1,288**		801
Change in fair value of prepay and stream arrangements	12		**1,980**		-
Gain on valuation of conversion option	10, 16		**(742)**		-
Adjustment to Corani obligation	15		**32**		(36)
			4,217		(2,767)
Changes in current assets and liabilities:					
Deferred revenue, prepay and stream arrangements	11, 12		**(6,386)**		-
Receivables and prepaid expenses			**815**		118
Accounts payable and accrued liabilities			**(159)**		145
Inventory			**5,005**		-
Taxes and deferred taxes			**528**		-
Cash from (used in) operating activities			**4,020**		(2,504)
Investing Activities					
Purchase of equipment	7		**(2,668)**		(245)
Resource acquisition costs	8		**(23)**		(3)
Payment of community projects and Corani obligation	14, 15		**(8)**		(1,085)
Net cash paid for Mercedes commitments	3		**(601)**		-
Interest received			**43**		9
Restricted cash			**(349)**		(339)
Cash used in investing activities			**(3,606)**		(1,663)
Financing Activities					
Share capital issued, net of any share issuance costs	17		**-**		3
Interest paid	10,16		**(473)**		-
Payment made to Equinox	1		**(700)**		-
Principal payments on leases			**(135)**		(190)
Cash used in financing activities			**(1,308)**		(187)
Effect of exchange rate change on cash			**5**		2
Net Increase in Cash			**(889)**		(4,353)
Cash – Beginning of Period			**3,484**		24,176
Cash – End of Period		**$**	**2,595**	$	19,823

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

Bear Creek Mining Corporation

Interim Condensed Consolidated Statements of Changes in Equity

US Dollars (000's, except share data)
(Unaudited)

	Share Capital (Number of Shares)	Share Capital	Shares to be issued	Contributed Surplus	Deficit	Total
December 31, 2021	124,273,132	326,730	-	38,653	(254,801)	110,582
Share issuance costs	-	3	-	-	-	3
Share-based compensation	-	-	-	160	-	160
Loss for the period	-	-	-	-	(4,113)	(4,113)
March 31, 2022	**124,273,132**	**326,733**	**-**	**38,813**	**(258,914)**	**106,632**
December 31, 2022	154,299,318	352,019	107	39,443	(277,404)	114,165
Share issued for services	341,068	213	(107)	-	-	106
Share-based compensation	-	-	-	253	-	253
Loss for the period	-	-	-	-	(11,642)	(11,642)
March 31, 2023	**154,640,386**	**352,232**	**-**	**39,696**	**(289,046)**	**102,882**

1. Nature of Business

Bear Creek Mining Corporation (“Bear Creek” or the “Company”) is a public company incorporated in British Columbia, Canada. Its common shares are listed on the TSX Venture Exchange (“TSX-V”) in Canada and the Bolsa de Valores de Lima in Peru under the symbol “BCM” and are posted for trading on the OTCQX Market in the U.S. under the symbol “BCEKF” and on the Börse Frankfurt in Germany under the symbol “OU6”. The Company's head office and principal address is 400 Burrard Street, Suite 1400, Vancouver, British Columbia, Canada, V6C 3A6.

Bear Creek is engaged in the production and sale of gold and silver, as well as other related activities, including exploration and development of precious and base metal properties in Peru and Mexico.

The mining and exploration business involves a high degree of risk, and there can be no assurance that current mine production, exploration, and development projects will be profitable. The Company relies on cash flow from its Mercedes gold-silver Mine (“Mercedes”) to carry out its exploration plans and commitments, development activities, administrative overhead, and maintain its mineral interests. The recoverability of amounts shown for resource properties is dependent on several factors. These factors include profitable production at the Mercedes mine and the ability to complete the development and profitably operate or dispose of the Corani Project.

Ownership interests in mineral properties involve risks due to the difficulties of determining and obtaining clear title to claims and the potential for problems to arise due to these difficulties. The Company has investigated the ownership of its mineral properties, and, to the best of its knowledge, ownership of its interests is in good standing.

On April 21, 2022, the Company completed the acquisition (“The Acquisition”) of 100% shares in a company that holds a 100% interest in the Mercedes mine located in Sonora, Mexico, from Equinox Gold Corp. ("Equinox"). The shares were acquired for total cash consideration of $75 million, 24.7 million common shares, and a 2% net smelter return payable on the metal produced from the Mercedes concessions. The Company has an outstanding purchase price installment of $25 million related to the acquisition of Mercedes (Note 3).

Going Concern

These interim condensed consolidated financial statements were prepared following accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for at least twelve months from March 31, 2023 and will be able to realize its assets and discharge its liabilities in the ordinary course of operations.

As at March 31, 2023, the Company had cash of $2.6 million (December 31, 2022: $3.5 million) and a working capital (“WC”) (current assets less current liabilities) deficiency of $60.0 million (December 31, 2022: $51.2 million). For the three months period ended March 31, 2023, the Company incurred a loss of $11.6 million (March 31, 2022: $4.1 million) and had cash flows from operating activities of $4.0 million (March 31, 2022: outflow of $2.5 million). Included in current liabilities as at March 31, 2023 is a payable of $26.1 million relating to the Mercedes acquisition.

The $5 million promissory note from Auramet International LLC (“Auramet”) (Note 16) is subject to a covenant, whereby the Company is required to maintain $2.5 million in the form of cash and cash equivalents, undrawn line of credits or unallocated pool of gold and silver at all times until the maturity date of the promissory note. As at March 31, 2023, the Company has complied with all the conditions of this covenant.

On October 26, 2022, the Company announced that it had reached a Heads of Agreement (“HOA”) with Equinox to amortize over two years the payment of the final $25 million purchase price installment for Mercedes. The HOA contemplates converting the payment into a promissory note (the “Note”) with a maturity date (the “Maturity Date”) of October 21, 2024, and monthly principal and interest payments commencing in February 2023. Monthly payments will be the greater of US$500,000 or half of consolidated free cash flow, as defined in the HOA. Interest will be applied at 12.5% plus the greater of 2.5% or the 90-day average Secured Overnight Financing Rate (“SOFR”). In addition, the Company will grant Equinox Gold warrants to acquire up to 5 million common shares of the Company. The Warrants may be converted at any time over three years, starting six months after being granted at a 15% premium to the 5-day volume weighted average price of the shares on the grant date. The HOA was subsequently revised on March 10, 2023 for payment structure and issuance of shares. As per the revised HOA, the Note will now amortize at a fixed rate of US$700,000 per month during the first year until March 3, 2024 and thereafter at an amount per month equal to the greater of US$700,000 or 50% of the free cash flow generated from Mercedes. In addition to the Note, the Company will issue to Equinox 2,750,000 common shares of the Company instead of issuing warrants to acquire up to 5 million common shares. Issuing the Note and shares is subject to TSX-V approval. During the three months period ended March 31, 2023, the Company accrued a total of $1.1 million as interest payable and paid a total of $0.7 million to Equinox as part of this proposed HOA. On May 30, 2023, the Company announced it has executed a non binding term sheet with Equinox to refinance this obligation into a five-year secured, and interest-bearing convertible debenture ("Convertible Debenture"), Note 22 contains additional disclosures. The Company is expected to make monthly payments of $0.15 million, representing the monthly interest portion of the Convertible Debenture, commencing July 1, 2023.

While the renegotiation of the terms of the $26 million Equinox payment would improve the Company's liquidity, material uncertainty remains in relation to the ability of the Company to achieve the operating results and necessary cash flow generation from the Mercedes mine in order to avoid seeking additional financing, which may give rise to significant doubt about the Company's ability to continue as a going concern.

These interim condensed consolidated financial statements do not include adjustments to the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, should the Company be unable to continue as a going concern. These adjustments could be material.

2. Basis of Preparation

These interim condensed consolidated financial statements of the Company were prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2022, which were prepared in accordance with IFRS. The accounting policies adopted are consistent with those of the previous financial year.

The Board of Directors approved these interim condensed consolidated financial statements on May 24, 2023.

Basis of Measurement

These interim condensed consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The functional currency of the Company and its subsidiaries is the US Dollar. These consolidated financial statements are presented in US dollars unless otherwise noted.

Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors believed to be reasonable under the circumstances and result in judgments about the carrying value of assets and liabilities. Actual results could differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended December 31, 2022.

3. Mercedes Acquisition

On April 21, 2022 (“Closing Date”), the Company acquired all of the issued and outstanding shares of Equinox’s indirect wholly-owned subsidiary, which in turn owns subsidiaries that ultimately own 100% of the Mercedes Mine. As part of this transaction, the Company paid cash consideration of $75 million, including $60 million provided directly to Equinox by Sandstorm Gold Ltd. (“Sandstorm”), and issued 24,730,000 Bear Creek common shares to Equinox. For the $60 million cash consideration that Sandstorm provided directly to Equinox, the Company assumed obligations in the form of convertible debenture (Note 10) and forward gold contract (Note 11). The Company was also required to make a deferred cash payment of $25 million on or before October 21, 2022, the renegotiated terms of which are currently being finalized (Note 1),and pay a 2% Net Smelter Return on the metal produced from the Mercedes concessions to Equinox.

Management determined that the Mercedes acquisition was a business combination with the Company as acquirer. Transaction costs incurred in respect of the acquisition totaling $1.9 million were expensed and presented as transaction costs in the consolidated statements of loss.

The acquisition date fair value of the consideration paid for the acquisition of Mercedes consisted of the following:

	April 21, 2022 (000’s) $
Cash consideration [1]	$ 75,000
Shares issued [2]	$ 21,712
Deferred cash obligation [3]	$ 23,833
Working capital Adjustment payment	$2,569
Total consideration	**$ 123,114**

1. The total cash consideration consisted of $15 million paid by the Company and $60 million provided by Sandstorm (Note 10,11).
2. The Company issued 24.73 million shares to Equinox. These shares have been valued using the Company's April 21,2022 closing share price at CDN$1.10 per share and translated to USD using an exchange rate of 1.2529.
3. The Company had a deferred cash obligation of $25 million payable to Equinox before October 21, 2022. This deferred consideration is presented as a discounted amount on the balance sheet using a discount rate of 10%. The deferred obligation is currently being restructured into a Note (Note 1).

The table below presents the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

Net Assets (Liabilities) acquired	April 21, 2022 (000's) $
Cash	16,241
Inventory	10,033
Prepaid expenses	615
Income tax receivable	1,557
Value added tax and other receivables	5,294
Property and equipment	73,664
Mineral property	73,687
Accounts payable and accrued liabilities	(13,492)
Income tax payable	(575)
Deferred income tax	(1,851)
Gold purchase agreement	(10,040)
Provision for environmental rehabilitation	(11,709)
Silver stream agreement	(20,310)
Total Fair Value of Net Asset (Liabilities) acquired	**123,114**

The fair value estimates for the silver stream arrangement and gold prepay agreement were determined by a cash flow model using a 5% discount rate, future gold price ranging from $1,725 -$1,944 per ounce of gold, future silver prices ranging from $21- $24 per ounce of silver, estimated future production schedule and costs of operations.

The fair value estimates for the environmental rehabilitation obligation was determined by a cash flow model using a 8.86% discount rate and an inflation rate of 4%, both adjusted for the economic environment in Mexico, where the expenditure related to this obligation is expected to be incurred.

The fair value of inventory was estimated using the lower of cost or net realizable value of the inventory items. The fair value of cash, prepaid expenses, accounts payable and accrued liabilities, and income tax payable were assessed and deemed to equal the net book value as at the Closing Date. The fair value of the property plant and equipment acquired is valued using a depreciated replacement cost approach.

The fair value of property and equipment was valued using a depreciated replacement costs approach, for which the Company used an expert to carry out such valuations. The significant assumptions used within this valuation were useful life, depreciation profile and residual percentages of the property and equipment.

The fair value estimates for mineral properties are valued using a discounted cash flow approach.

Significant assumptions used in the analysis for mineral property valuation were as follows:

Gold Prices	$1,636 -$1,961
Gold Contained Ounces	0.25 million
Gold Recovery Rate	95.5%
Gold Grade	3.79 grams per tonne
Silver Prices	$20-$27
Silver Contained Ounces	1.92 million
Silver Recovery Rate	40%
Silver Grade	29.28 grams per tonne
Discount Rate	5%
Projected Mined Ore Reserves and Resources	2,037 kilo tonnes
Capital Expenditure	$34.9 million
Per Unit Operating Costs	
Mine Administration and Underground	$45.31
Plant	$22.68
Site Overhead	$12.38
General & Administration	$3.95

4. Cash

	March 31, 2023 (000's) $	December 31, 2022 (000's) $
Cash	**2,595**	3,484
	2,595	3,484

5. Receivables

The Company has one customer outside of its current selling arrangements (Note 11 & 12) and majority of the trade receivable balances relate to that one customer.

	March 31, 2023 (000's) $	**December 31, 2022 (000's) $**
Trade receivables	**2,762**	**2,440**
Value added taxes and other receivables	**3,232**	**3,296**
	5,994	**5,736**

6. Inventory

The inventory balance at March 31, 2023 relates to the materials, finished goods, and work in process inventory at Mercedes mine. During the three months period ended March 31, 2023, the Company recognized $14.4 million (2022 – $nil) in cost of goods sold.

	March 31, 2023 (000's) $	December 31, 2022 (000's) $
Materials and Supplies (i)	**8,631**	**8,724**
Mineral inventory (ii)	**8,310**	**15,554**
Work in process (iii)	**313**	**260**
Current Ore Stockpiles (iv)	**72**	**57**
	17,326	**24,595**

(i) Materials and supplies represent consumables and other raw materials used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items.
(ii) Mineral inventory contains finished goods inventory in the form of gold or silver.
(iii) Work-in-process represents gold and silver in the processing circuit that has not completed the production process and is not yet in a saleable form.
(iv) Ore is accumulated in stockpiles that are subsequently processed into gold and silver in a saleable form. Milled ore undergoes agitated leaching, counter current decantation Merrill-Crowe precipitation and smelting.

7. Property and Equipment

	Mineral Property (000's) $	Exploration and Other Equipment (000's) $	Total (000') $
Balance – December 31, 2021	45	6,895	6,940
Fair value of net assets acquired (Note 3)	73,687	73,664	147,351
Additions	12,982	1,518	14,500
Change in estimate	710	-	710
Amortization and depletion	(11,953)	(10,153)	(22,106)
Foreign exchange	(156)	-	(156)
Balance – December 31, 2022	**75,315**	**71,924**	**147,239**
Additions	2,183	420	2,603
Change in estimate	(905)	-	(905)
Amortization and depletion	(4,390)	(4,542)	(8,932)
Balance – March 31, 2023	**72,203**	**67,802**	**140,005**

8. Resource Property Costs

	Corani Project (000's) $
Balance at December 31, 2021	**88,688**
Land acquisition costs	**16**
Balance at December 31, 2022	**88,704**
Land acquisition costs	**23**
Balance at March 31, 2023	**88,727**

a) Corani Project

The Company has a 100% interest in the Corani Project located in the Department of Puno, Peru. Engineering and evaluation costs incurred on the Corani Project are expensed. Details are as follows:

	Three Months Ended March 31, 2023 (000's) $	Three Months Ended March 31, 2022 (000's) $
Community contributions	**338**	**330**
Detailed engineering	**24**	**105**
Environmental	**108**	**129**
Geophysics	**-**	**15**
Salaries and consulting	**898**	**1,098**
Camp, supplies and logistics	**341**	**569**
Travel	**10**	**13**
Recovery of costs	**(94)**	**-**
Total	**1,625**	**2,259**

b) Other Exploration and Evaluation Costs (Recoveries)

Other exploration and evaluation costs include administrative expenses for maintaining and managing the Company's Peruvian affiliates and concession payments, which are not directly attributable to the Company's Corani project.

Total other exploration and evaluation costs incurred during the period ended March 31, 2023 were $0.1 million (2022 - $0.1 million).

The Company expenses the value added tax it pays during the exploration phase. During the three month period ended March 31, 2022 the total value added taxes paid were $0.1 million (2022 - $0.2 million). The Company also received a total of $0.1 million in form of Peruvian value added taxes refunds.

9. Accounts payable and accrued liabilities

	March 31, 2023 (000's) $	December 31, 2022 (000's) $
Trade payables	**30,064**	30,877
Other payables	**930**	1,565
Total	**30,994**	32,442
Less: Current portion	**(29,887)**	(31,407)
Non-Current portion	**1,107**	1,035

10. Convertible Debenture

On April 21, 2022 as part of the Mercedes acquisition (Note 3), Sandstorm provided the Company with $22.5 million ("the Principal") in exchange for a Convertible Debenture. The Convertible Debenture matures on April 21, 2025, bears a 6% coupon, and allows the holder, at their option, to convert the principal, in whole or in part, into common shares of the Company at any time before maturity at a conversion price of CDN$1.51 per common share. Interest is calculated and payable quarterly in arrears on the last day of a calendar quarter. The Convertible Debenture can be prepaid in whole or in part with ten days' notice.
The convertible debenture comprises a host loan and an embedded derivative liability. The embedded derivative liability arises from the election right of the holder to convert the principal into common shares of the Company. On initial recognition of the convertible debenture, the embedded derivative liability was calculated first using the Black-Scholes options pricing model with the residual value being assigned to the host loan. The host loan is subsequently measured at amortized cost whereas the embedded derivative liability is measured at fair value with changes being recorded in profit or loss at the end of the period.

There were assumptions used in estimating the initial fair value of $6.74 million for the conversion option on April 21, 2022 with the remaining value of $15.76 million allocated to the debenture. The assumptions used to determine the fair value of the conversion option on initial recognition and March 31, 2023 are set in the table out below.

		April 21, 2022	March 31, 2023
Risk-free interest rate		3.00%	3.74%
Expected dividend yield		0.00%	0.00%
Stock price	CA$	1.10	0.69
Expected stock price volatility		72.71%	78.40%
Expected life in years		3	2.06

The summary of the convertible debenture movements during the three months period ended March 31, 2023 is as follows:

	Debenture (000,'s) $	Conversion Option (000's) $	Total (000's) $
Balance - December 31, 2021	-	-	-
Additions (Note 3)	**15,760**	**6,740**	**22,500**
Interest paid	(934)	-	(934)
Accretion	2,178	-	2,178
Change in fair value of conversion option	-	(3,495)	(3,495)
Balance - December 31, 2022	**17,004**	**3,245**	**20,249**
Interest Paid	(338)	-	(338)
Accretion	813	-	813
Change in fair value of conversion option	-	(810)	(810)
Balance - March 31, 2023	**17,479**	**2,435**	**19,914**

11. Deferred Revenue

Sandstorm Gold Purchase Agreement

On April 21, 2022, Sandstorm provided the Company with $37.5 million. In exchange, the Company agreed to sell to Sandstorm 600 ounces of refined gold per month for 42 months (a total of 25,200 ounces) at a price equal to 7.5% of the London Bullion Market Association's PM fix for the day before the delivery date. After 42 months, the Company will sell to Sandstorm 4.4% of gold produced by Mercedes at a price equal to 25% of the London Bullion Market Association's PM fix for the day before the delivery date. As the Company is able to satisfy all of the delivery requirements through production from the Mercedes mine, the own use exemption is met and the contract is accounted for under the deferred revenue model. On April 21, 2022, $37.5 million was recognized by the Company as deferred revenue to be recognized as revenue over the term of the agreement.

During the three months period ended March 31, 2023, the Company has delivered 1,800 ounces of refined gold to Sandstorm and recognized a total sales revenue of $3.4 million, including the 7.5% cash sales. As of March 31, 2023, the Company has delivered a total of 6,600 ounces of gold to Sandstorm as part of this agreement.

A schedule of the deferred revenue is as follows:

	(000,'s) $
Balance - December 31, 2021	**-**
Additions (Note 3)	37,500
Delivery of gold - Principal	(7,814)
Balance - December 31, 2022	**29,686**
Delivery of gold - Principal	(3,138)
Balance – March 31, 2023	**26,548**
Less: current portion	(14,254)
Non-Current Portion	12,294

12. Prepay and Stream Arrangements

Gold Prepay Agreement

On April 21, 2022 as part of the Mercedes acquisition (Note 3), the Company assumed a gold prepay agreement with Nomad Royalty Corp. Under the terms of the gold prepay agreement, the Company is required to deliver a notional amount of 1,000 ounces of gold quarterly if the gold price is between $1,350 and $1,650 until 5,400 ounces have been delivered. If the gold price per ounce is above $1,650, the Company must deliver 900 ounces quarterly rather than 1,000 ounces. If the gold price per ounce is below $1,350, the Company must deliver 1,100 ounces rather than 1,000 ounces. Interest is payable quarterly at a rate of 6.5% of the quarterly gold delivery amounts. Due to the variability of the pricing and delivery amounts, the Gold Prepay Agreement was determined to be a financial liability recorded at fair value through profit and loss. For the three months period ended March 31, 2023, the Company has delivered 900 ounces of gold and recognized revenue of $1.9 million (2022 - $nil). As of March 31, 2023, the Company has delivered a total of 3,600 ounces of gold as part of this arrangement.

The following inputs were used to determine the fair value by calculating the net present value of the future cash flows of the Gold Prepay at inception and period ended date of March 31, 2023:

	April 21, 2022	**March 31, 2023**
Discount rate	5.00%	5.00%
Forward gold price range	$1,725- $1,944	$1,894- $1,979
Expected repayment term	1.44 years	0.50 years

(1)The discount rate used to fair value the Gold Prepay is based on the rate used for the preparation of the technical report for Mercedes.

The Company's gold prepay stream is as follows:

	Total (000's) $
Balance - December 31, 2021	**-**
On inception (Note 3)	10,040
Delivery of gold - Principal	(4,738)
Delivery of gold - Interest	(308)
Change in fair value	(28)
Balance - December 31, 2022	**4,966**
Delivery of gold - Principal	(1,769)
Delivery of gold - Interest	(116)
Change in fair value	515
Balance - March 31, 2023	**3,596**
Less: current portion	(3,596)
Non-Current Portion	-

The Company recognizes revenue and amortizes the gold prepay liability when the customer obtains control of the gold, being the date when the gold is delivered to the customer.

Silver Stream

On April 21,2022 as part of The Mercedes acquisition (Note 3), the Company assumed a silver stream ("Silver Stream") requiring deliveries of 75,000 ounces of silver per quarter until 1.2 million ounces are delivered. After that, the Company will deliver 100% of its silver production until 3.75 million ounces are delivered. After 3.75 million ounces are delivered, the mine will deliver 30% of its silver production. The Company is paid 20% of the LBMA silver fix for the day before delivery. The Silver Stream contract was determined to be a financial liability recorded at fair value through profit or loss. The principal repayment on the liability is variable based on 80% of the silver price applied to ounces delivered under the contract. For the three months period ended March 31, 2023, the Company delivered 73,565 ounces of silver as part of this stream and recorded revenue of $1.7 million (2022 - $nil), 20% of which was cash based and remaining being recorded as part of the amortization of Silver Stream. As of March 31, 2023, the Company has delivered a total of 293,358 ounces of silver as part of this arrangement.

The following inputs were used to determine the fair value by calculating the net present value of the future cash flows of the Silver Stream at inception and period ended date of March 31, 2023:

	April 21, 2022	March 31, 2023
Discount rate(1)	5.00%	5.00%
Forward silver price range	$22- $24	$22-$24
Expected repayment term	3.95 years	3.00 years

(1)The discount rate used to fair value the Silver Stream is based on the rate used for the preparation of technical report for Mercedes.

The Company's silver stream continuity is as follows:

	Total (000's) $
Balance - December 31, 2021	-
On inception (Note 3)	**20,310**
Silver stream delivery	(3,621)
Change in fair value	(1,097)
Balance - December 31, 2022	**15,592**
Silver stream delivery	**(1,365)**
Change in fair value	**1,465**
Balance – March 31, 2023	**15,692**
Less: current portion	(5,441)
Non-Current Portion	10,251

The Company recognizes revenue and amortizes the silvers stream liability when the customer obtains control of the silver, being the date when the silver is delivered to the customer.

13. Asset Retirement obligation

On April 21, 2022 as part of the Mercedes acquisition (Note 3), the Company assumed provision for environmental rehabilitation resulting from an ownership interest in a mill, mining equipment, and previously mined property interests. The provision consists primarily of costs associated with mine reclamation and closure activities. These activities generally include costs for decommissioning the mill complex and related infrastructure, ensuring the physical and chemical stability of the tailings area, post-closure site security, and monitoring costs. The Company considers such factors as changes in laws and regulations and requirements under existing permits in determining the estimated costs. Such analysis is performed on an ongoing basis.

The Company estimates that the undiscounted future value of the cash flows required to settle the closure provision is $16.17 million for the Mercedes mine. The Company expects these cash flows outflows to begin in 2026. In calculating the estimate, management used the Mexican risk-free interest rate of 9.1% and inflation of 3.9%.

A reconciliation of the discounted provision is provided below:

	Total (000's) $
Balance - December 31, 2021	**200**
Addition (Note 3)	11,709
Accretion	238
Adjustment due to inflation and discount rate	710
Foreign exchange	436
Balance - December 31, 2022	**13,293**
Accretion	**293**
Adjustment due to inflation and discount rate	**(905)**
Foreign exchange	**915**
Balance – March 31, 2023	**13,596**

14. Community Projects Obligation

On April 8, 2013, the Company entered into a Framework Agreement for the Sustainable Use of Natural Resources in the Mining Project Corani (the "Framework Agreement") with the Corani District Municipality, five surrounding communities, and relevant ancillary organizations. The Framework Agreement was for an initial payment (the "Initial Payment") and 22 successive payments (the "Successive Payments") of Peruvian Sol ("S/") 4 million to be made into a trust designed to fund community projects. These Successive Payments of S/. 4 million per year were dependent on the Company receiving permits to build the processing facilities and the mining installations, which were received during 2018.

The Framework Agreement with the local communities and the Corani Environmental and Social Impact Assessment ("ESIA") requires the Company to undertake certain development work, such as access roads, mine camp and maintenance and storage facilities, and an electrical substation. The Company began development work in 2018 in accordance with the ESIA and the Framework Agreement.

As at March 31, 2023, the total undiscounted obligation remaining under the Framework Agreement was $18.1 million.

A continuity of the Company's community projects obligation per the Framework Agreement is as follows:

	(000's) $
Balance as of December 31, 2021	**8,848**
Payment	(1,077)
Accretion expense	839
Impact of foreign exchange	454
Balance as of December 31, 2022	**9,064**
Payment	-
Accretion expense	222
Impact of foreign exchange	113
Balance as of March 31, 2023	**9,399**
Less: current portion	(1,062)
Long-term portion as of March 31, 2023	**8,337**

15. Other Liabilities

In 2011 the Company entered into land purchase agreements with local landowners for surface rights access to the Corani project and an agreement to provide the Corani Municipality with funding to build schools and other improvements to the community as determined by the Corani Municipality. The total amount owed under the agreements was approximately $3.47 million, of which $0.9 million remains outstanding as of March 31, 2023.

The liability includes a pension obligation adjusted for pensioner life expectancy, the official Peruvian minimum wage level, and the exchange rate, with the estimated payment stream discounted at the rate implicit on sovereign Peruvian zero coupon bonds

A continuity of the Company's obligation under these agreements is as follows:

	(000's) **$**
Balance as of December 31, 2021	**940**
Payments	(32)
Revaluation of obligation	(13)
Impact of foreign exchange	(36)
Balance as of December 31, 2022	**859**
Payments	(8)
Revaluation of obligation	32
Impact of foreign exchange	(5)
Balance as of March 31, 2023	**878**
Less: current portion	(56)
Long-term portion as of March 31, 2023	**822**

The Company's estimated future payments are as follows:

	March 31, 2023 (000's) $	**December 31, 2022 (000's) $**
Within one year	**56**	**55**
After one year but not more than five years	**822**	**804**
	878	**859**

16. Note Payable

On July 28, 2022, the Company entered into a promissory note ("Note") with Auramet in connection with a $5 million loan facility ("Facility").

The Facility is due on the first anniversary of the Note, such date being July 28, 2023, and the Company may repay the Facility, in minimum incremental amounts of US $1.0 million, either in whole or in part, from time to time without penalty, subject to any accrued interest. The Facility is subject to an original issue discount fee of 2.5%, which was deducted from the advance of the Facility. Interest accrues on the unpaid principal amount at a rate of 6.00% per annum plus the greater of (i) the USD Secured Overnight Financing Rate or (ii) 1.00% per annum, payable quarterly in arrears. The Company incurred a total of $0.4 million in expenses related to the Note. The Note is subject to a covenant, whereby the Company is required to maintain $2.5 million in the form of cash, undrawn line of credits or unallocated pool of gold and silver at all times until the maturity date of the Note. As at March 31, 2023, the Company complied with all the conditions of this covenant. During the three months period ended March 31, 2023, the Company has paid a total of $0.1 million in interest payments to Auramet.

As partial consideration for the Note, the Company entered into an offtake agreement (the “Offtake Agreement”) with Auramet whereby the Company has agreed to sell Auramet 100% of the outturn from the Mercedes mine less the amount of gold and silver sold by the Company under existing royalty and stream agreements (the “Applicable Product”) until the Note is paid in full and, after that, 50,000 troy ounces of the Applicable Product. During the three months period ended March 31, 2023, the Company delivered a total of 9,304 ounces of gold and recognized revenue of $17.3 million (2022 - $nil) as part of the Offtake Agreement.

The Company also granted Auramet European style call options to purchase additional ounces of gold as set out below:

Ounces	Strike Price	Expiration Date
625	US$1,975/Oz	April 26, 2023
625	US$1,975/Oz	July 27, 2023
625	US$1,975/Oz	October 27, 2023
625	US$1,975/Oz	December 27, 2023

The call options that expired on April 26, 2023 was not exercised by Auramet.

The call options are accounted for as a derivative. The fair value of the call options is determined using the Black-Scholes options pricing model at each period end date. The following assumptions were used in estimating the initial fair value of $0.3 million for the call option on July 28, 2022 with the remaining value of $4.4 million allocated to the Note, and for determining the fair value of the call option on March 31, 2023, resulting in a gain of $0.01 million.

	July 28, 2022	March 31, 2023
Risk-free interest rate	3.24%	4.34%
Spot price of Gold	1,754	1,980
Expected gold volatility	21.2% - 21.7%	14.6% - 16.8%
Expected life in years	0.75 - 1.42	0.07 – 0.74

Movements in recorded value of the Note Payable during the year ended December 31, 2022 are as follows:

	Note (000,'s) $	Call Option (000's) $	Total (000's) $
Balance - December 31, 2021	-	-	-
Proceeds	**4,404**	**258**	**4,662**
Interest	(211)	-	(211)
Accretion	310	-	310
Change in fair value of call option	-	(68)	(68)
Balance - December 31, 2022	**4,503**	**190**	**4,693**
Interest	**(135)**	**-**	**(135)**
Accretion	**309**	**-**	**309**
Change in fair value of call option	**-**	**68**	**68**
Balance - March 31, 2023	**4,677**	**258**	**4,935**

17. Capital

Authorized and Issued Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

2023 Activity

During the three months period ended March 31, 2023, a total of 341,068 common shares were issued to a consultant of the Company for services rendered at a fair value of $0.21 million.

No new stock options were granted during the three months period ended March 31, 2023. During the three-month period ended March 31, 2023, the Company recognized $0.25 million (2022 - $0.16 million) as share-based payments expense based on the graded vesting schedule of the previous years' stock options and restricted share unit ("(RSUs") grants.

2022 Activity

On April 21, 2022, the Company completed the acquisition of the Mercedes mine from Equinox and issued 24,730,000 common shares of the Company to Equinox. These shares were part of the total consideration paid for the acquisition of the Mercedes mine and were valued at the closing rate of $0.88 (CDN$1.10) per share.

On June 10, 2022, the Company completed the private placement financing and issued 3,542,160 common shares at $0.78 (CDN$1.00) for gross proceeds of $2,772,449 (CDN$3,542,160). The Company incurred a total of $37,096 in share issuance costs.

During the year ended December 31, 2022, the Company issued a total of 1,445,693 common shares to a consultant of the Company for services rendered at a fair value of $0.64 million. The Company accrued an additional $0.11 million for the shares to be issued to the consultant subsequent to December 31, 2022.

During the year ended December 31, 2022, the Company issued 308,333 common shares to its directors, officers, and employees upon vesting of one-third of the RSUs awarded on April 22, 2020.

Stock Options Plan

The Company has established a share purchase option plan (the "Stock Option Plan") and a long-term incentive plan ("LTIP"). Under the Stock Option Plan, the Board of Directors may, from time to time, grant options to directors, officers, employees, or consultants. Options granted must be exercised no later than ten years from the date of grant or such lesser period as determined by the Board of Directors. Under the Stock Option Plan, the exercise price of an option cannot be lower than the closing price on the TSX Venture Exchange on the trading date preceding the grant date, less the maximum discount permitted under TSX policies applicable to share purchase options. The Board of Directors also sets vesting terms for each grant. The Stock Option Plan provides that the aggregate number of shares reserved for issuance under the plan (including shares issuable upon the exercise of existing options and restricted or deferred share units issuable under the Company's Long Term Incentive Plan) shall not exceed 10% of the total number of issued and outstanding common shares of the Company on a non-diluted basis, as constituted on the grant date of such options. Under the LTIP, the Board of Directors may, from time to time, award RSUs or DSUs to directors, officers, employees, and in the case of RSUs, consultants. Under the LTIP, the maximum number of shares the Company is entitled to issue from treasury for payments regarding awards of DSUs and RSUs is an aggregate of 5,000,000 shares. The Stock Option Plan and the LTIP may not cumulatively exceed 10% of the total number of shares issued and outstanding.

Stock Options

A summary of the Company's stock options outstanding as at March 31, 2023 is as follows:

Options Outstanding	Options Exercisable	Price per Share	Remaining contractual life (years)	Expiry Date
1,000,000	1,000,000	CDN$2.25	4.51	October 3, 2027
670,000	670,000	CDN$2.05	4.91	February 26, 2028
650,000	325,000	CDN$2.05	4.93	March 2, 2028
400,000	200,000	CDN$2.24	4.96	March 16, 2028
150,000	150,000	CDN$1.92	5.21	June 12, 2028
1,430,000	1,305,000	CDN$1.50	5.85	February 1, 2029
75,000	75,000	CDN$1.41	5.94	March 6, 2029
75,000	75,000	CDN$2.58	6.61	November 6, 2029
3,750,000	1,250,000	CDN$0.69	9.72	December 15, 2032
8,200,000	**5,050,000**		**7.26**	

RSU's

There was no movement in the RSU's during the three months period ended March 31, 2023. As at March 31, 2023, the Company had a total of 308,334 incentive RSU's outstanding at a weighted average grant date fair value CDN$2.05 per RSU's. These RSU's are scheduled to be issued during the second quarter of 2023.

DSU's

There was no movement in the DSU's during the three months period ended March 31, 2023. As at March 31, 2023, the Company had a total of 1,000,000 incentive DSU's outstanding

As at March 31, 2023 and December 31, 2022, the following stock options, RSUs and DSUs were under grant and available for issuance:

	March 31, 2023	December 31, 2022
Issued and outstanding shares	**154,640,386**	154,299,318
Options allowed	**15,464,039**	15,429,932
RSU & DSU limit	**5,000,000**	5,000,000
Options outstanding	**8,200,000**	8,200,000
RSUs granted	**1,000,000**	1,000,000
RSU's outstanding	**308,334**	308,334
DSU's granted	**1,000,000**	1,000,000
DSU's Outstanding	**1,000,000**	1,000,000
RSU's & DSU's available	**3,000,000**	3,000,000
Options available for issuance	**5,264,039**	5,229,932

18. Revenue

The Company's revenues are primarily from sales of gold and silver. These products are sold to Nomad Royalty Company Ltd (Note 12), Auramet (Note 16) and Sandstorm (Note 11).

The revenue for the three months period ended March 31, 2023 is shown below:

	March 31, 2023 (000's) $	March 31, 2022 (000's) $
Nomad Stream - gold revenue (Note 12)	**1,885**	-
Nomad Stream - silver revenue (Note 12)	**1,706**	-
Sandstorm Forward gold revenue (Note 11)	**3,392**	-
Auramet - gold revenue (Note 16)	**17,298**	-
	24,281	**-**

19. Related Party Transactions

Compensation of key management personnel

The remuneration of the directors, president and chief executive officer, chief financial officer, chief operating officer, and the vice president of project development (collectively, the key management personnel) was as follows:

	Three Months Ended March 31			
		2023 (000's)		**2022 (000's)**
Salaries and director's fees	**$**	**470**	$	**471**
Share-based compensation		**46**		**123**
	$	**516**	$	**594**

(i) Key management personnel were not paid post-employment benefits or other long-term benefits.

At March 31, 2023, $0.1 million (December 31, 2022 - $nil) was due for director fees.

20. Segmented Information

The Company's business consists of four reportable segments being Mercedes, Corani, other exploration projects and corporate.

The following is an analysis of the long-term assets by geographical area:

Long -Term Assets		**March31, 2023 (000's)**		December 31, 2022 (000's)
Peru	**$**	**93,095**	**$**	92,824
Mexico		**132,580**		139,818
Canada		**5,020**		5,026
	$	**230,695**	**$**	237,668

Results for three months period ended March 31, 2023

Net Loss (income)		Revenue (000's)	Cost of Sales & other operational costs (000's)	Depletions, Depreciation & Amortization (000's)	Exploration expenses (000's)	Other expenses (income) (000's)	Net (Income)/loss (000's)
Mercedes	$	(24,281)	15,680	11,166	750	4,128	7,443
Corani		-	14	-	1,625	143	1,782
Other exploration projects		-	-	-	146	-	146
Corporate		-	1,906	-	-	365	2,271
	$	**(24,281)**	**17,600**	**11,166**	**2,521**	**4,636**	**11,642**

Results for three months period ended March 31, 2022

Net Loss (income)		Revenue (000's)	Operational and administrative Costs (000's)	Depletions, Depreciation & Amortization (000's)	Exploration expenses (000's)	Other expenses (income) (000's	Net (Income)/loss (000's)
Mercedes	$	-	-	-	-	-	-
Corani		-	9	-	2,259	873	3,141
Other exploration projects		-	-	-	248	-	248
Corporate		-	751	-	-	(27)	724
	$	**-**	**760**	**-**	**2,507**	**846**	**4,113**

21. Financial Instrument and Risk Management

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
The fair value hierarchy establishes three levels in which to classify the inputs of valuation techniques used to measure fair values.

- Level 1 - quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly, such as prices, or indirectly (derived from prices).
- Level 3 - inputs are unobservable (supported by little or no market activity) such as non-corroborative indicative prices for a particular instrument provided by a third party

As at March 31, 2023, the fair value of the convertible feature of the Sandstorm debentures and Auramet note payables, and the streaming arrangements are measured at fair value using Level 3 inputs. The fair value of the conversion option of the convertible debenture (Note 10) and call options of the note payable (Note 16) is determined using Black-Scholes options pricing model. The fair value of the streaming arrangements is determined based on the on the net present value of the expected future cashflows and a discount rate that includes the risk premium.

The carrying values of cash, receivable, and accounts payable and accrued liabilities approximate fair value due to their short terms to maturity.

Management of financial risk

i. Currency risk

The Company is exposed to financial risk due to changes in foreign exchange rates. The Company operates in Peru, Mexico, and Canada, and a portion of its expenses are incurred in Canadian dollars, Mexican pesos, and Peruvian Soles. The functional currency of the Company and its subsidiaries is determined to be US dollar. A significant change in the exchange rates between the US dollar relative to the Canadian dollar, Mexican Peso to the US dollar, and the Peruvian Sol to the US dollar could affect the Company's operations, financial position, and cash flows. The Company has not hedged its exposure to currency fluctuations.

At March 31, 2023, the Company was exposed to currency risk through the following assets and liabilities denominated in Canadian dollars, Mexican Pesos, and Peruvian Soles.

	March 31, 2023		
	Canadian Dollars (000's)	**Peruvian Soles (000's)**	**Mexican Pesos (000's)**
Cash	133	194	5,166
Receivables	-	56,426	164,171
Accounts payable, accrued liabilities and other	(63)	(1,157)	(322,617)
Provision for environmental rehabilitation	-	-	(242,530)
Community project obligation	-	(38,605)	-
Net exposure	**70**	**16,858**	**(395,810)**

Based on the above net exposures at March 31, 2023, and assuming that all other variables remain constant, a 10% depreciation of the US dollar against the Canadian dollar would result in an increase of approximately $5,000 (C$7,000) in the Company's loss for the period. A 10% depreciation of the US dollar against the Peruvian Sol would result in an increase of approximately $455,000 (S/1,700,000) in the Company's loss for the period. A 10% depreciation of the US dollar against the Mexican Peso would result in an increase of approximately $1,700,000 (MXN$ 31,100,000) in the Company's loss for the period. Conversely, a 10% appreciation of the US dollar relative to the Canadian dollar, Soles, or Mexican Pesos would have the opposite effect.

ii. Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit risk the Company is exposed to is 100% of the cash, short-term investments, and receivables.

The Company's cash is held in major Canadian chartered banks and accredited Mexican and Peruvian financial institutions with strong credit ratings. Short-term investments (including those presented as cash) consist of financial instruments issued by Canadian or Peruvian banks. These investments mature at various dates over the next twelve months.

iii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company tries to ensure sufficient funds to meet its short-term business requirements by considering anticipated revenues and cash expenditures for its operating activities. The Company will pursue equity or debt financing as required to meet its long-term commitments. There is no assurance that such financing will be available or that it will be available on favorable terms.

The following table summarizes the contractual maturities of the Company's financial liabilities and operating and capital commitments at March 31, 2023:

Expenses in (000's)	**2023**	**2024**	**2025**	**2026**	**2027 and Beyond**	**Total**
Accounts payable and accrued liabilities (Note 9)	$29,387	-	-	-	$1,107	$30,494
Provision-Environmental costs (Note 13)	-	-	-	-	16,366	16,366
Community projects (Note 14)	1,062	1,062	1,062	1,062	13,811	18,059
Other liabilities (Note 15)	56	33	33	33	725	880
Office space leases	92	-	-	-	-	92
Vehicle rentals	283	-	-	-	-	283
Streaming Arrangements (Note 12)	7,683	5,333	5,051	1,221	-	19,288
Note payable – Principal (Note 16)	5,000	-	-	-	-	5,000
Note payable – Interest (Note 16)	176	-	-	-	-	176
Equinox payment - Principal [1] (Note 1)	3,137	21,543	-	-	-	24,680
Equinox payment – Interest (Note 1)	3,167	4,395	-	-	-	7,562
Debenture – Repayment (Note 10)	-	-	-	22,500	-	22,500
Debenture – Interest (Note 10)	1,013	1,350	416	-	-	2,779
Total as at March 31, 2023	**$51,056**	**$33,716**	**$6,562**	**$24,816**	**$32,009**	**$148,159**

1) The Equinox principal payment was initially due on October 21, 2022. The Company has subsequently executed a non binding term sheet with Equinox to convert this payment into a five year Convertible Debenture, pending definitive documentation and approval of the TSX Venture Exchange and the Company's shareholders, as applicable (Note 22).

The Company is in the process of improving its working capital by updating its mine production plan and shifting to a bulk mining methodology which is expected to increase production output and reduce cost of sales moving forward. The Company is also trying to raise additional funds to meet its short-term obligations.

iv. Interest rate risk

Interest rate risk is the risk that a financial instrument's fair value or future cash flows will fluctuate because of changes in market interest rates. The Company's interest rate risk management policy is to purchase highly liquid investments with a term to maturity of one year or less on the date of purchase. At March 31, 2023, the Company had minimal funds invested in interest earning savings accounts.

The Company has debt obligations with SOFR as a benchmark. The variability of the SOFR can have material impact on the results of the Company. During the three months period ended March 31, 2023, the SOFR ranged between 4.59%-5.12%.

v. Price risk

The fair value of the Streaming Arrangements is dependent on the gold and silver prices and the discount rate. Volatility in the gold and silver prices and the discount rate affects the valuation of the Streaming Arrangements, which in turn affects revenue, earnings, and cash flows.

The price of the Company's common shares and the Company's financial results may be significantly adversely affected by a decline in the price of gold and silver (collectively, the "Metals"). The price of the Metals fluctuates widely, especially in recent years, and is affected by numerous factors beyond the Company's control, including but not limited to, the sale or purchase of the Metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the U.S. dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold and silver producing countries throughout the world.

vi. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include the convertible debenture.
The Company measures the embedded derivative liability portion of the convertible debenture at fair value at each reporting date, recognizing changes in the fair value in the statements of comprehensive income. This requirement to "mark to fair value" the derivative features could significantly affect the results in the statement of comprehensive income. If the Company's share price had been C$1.00 higher than it was on March 31, 2023, the fair value of the embedded derivative liability of the Company's convertible debenture (Note 10) would have increased by $9.7 million, which would have resulted in the Company recording a loss on the fair valuation of the embedded derivative liability of $8.9 million instead of the gain of $0.8 million.

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22. Subsequent Events

On May 11, 2023, the Company announced it has amended the terms of agreement for the Sandstorm Gold Purchase Agreement (Note 11). The Company received an additional $5 million from Sandstorm and in return the Company will now deliver 600 ounces of gold per quarter until 29,400 (previously 25,200 ounces) ounces of gold has been delivered, all other terms of the agreement remain the same. The Company has delivered a total of 7,200 pounces of gold under this agreement.

On May 30, 2023, the Company announced that it has executed a non-binding indicative term sheet with Equinox, to refinance over a five year period, payment of approximately $26 million of the final purchase price installment for Mercedes. The revised terms provide for converting the payment into a secured, and interest-bearing Convertible Debenture, closing on June 30, 2023 ("Closing Date"). The Convertible Debenture bears a nominal rate of interest equal to 7% per annum and matures after a term of five years on June 30, 2028. At any time at or prior to maturity, the unpaid principal portion may be converted into common shares of the Company by Equinox at a conversion price of 1.25 times the volume-weighted average price of the common shares of the Company for the 10-day period ending on May 29, 2023.

Commencing July 1, 2023, the Company will make payments of approximately $0.15 million per month, representing the monthly interest portion on the principal. The Company may prepay, without penalty, any portion of the Convertible Debenture before the maturity date. The Convertible Debenture will be secured by a first lien (pari passu with certain security held by Bear Creek's existing creditors) and certain second lien pledges of Bear Creek's equity interests in the holding companies through which Bear Creek holds Mercedes and the Corani silver-lead-zinc deposit in Puno, Peru. The issuance of the Convertible Debenture is subject to the completion of definitive documentation and approval of the TSX Venture Exchange and the Company's shareholders, as applicable.