BEAR CREEK MINING CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS PERIOD ENDED March 31, 2023

Introduction

The following Management's Discussion and Analysis ("MD&A") of Bear Creek Mining Corporation (the "Company" or "Bear Creek") was prepared on May 30, 2023. This MD&A is intended to help the reader understand the significant factors that influence the Company's performance and such factors that may affect its future performance. This MD&A should be read in conjunction with the interim condensed consolidated financial statements of the Company for the three month period March 31, 2023. The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. All dollar amounts are expressed in United States dollars unless otherwise noted. Additional information relating to the Company, which is not part of this MD&A, including the Company's Annual Information Form ("AIF") filed on April 20, 2023, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Bear Creek is engaged in the production and sale of gold and silver and the exploration and development of precious and base metal properties. On April 21, 2022, the Company acquired a 100% interest in the Mercedes gold mine ("Mercedes") in the state of Sonora, Mexico. In Peru, the Company is advancing its 100%-owned Corani silver-lead-zinc project towards development and has other early-stage exploration projects.

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. A description of significant business risks may be found in the Company's AIF for the year ended December 31, 2022, filed on SEDAR.

National Instrument 43-101 ("NI 43-101") Disclosure

Except as indicated below, the information provided in this MD&A related to the Company's mineral projects is based on work programs and initiatives conducted under the supervision of Andrew Swarthout, AIPG Certified Professional Geologist and a Qualified Person as defined in NI 43-101. Mr. Swarthout is a director of the Company.

Contents

1) Highlights

Corporate Developments:

On May 2, 2023, the Company announced Mr. Anthony Hawkshaw's intent to retire from the position of Chief Executive Officer ("CEO") of the Company effective June 5, 2023. Subsequently, the Board of Directors selected Mr. Eric Caba, President and Chief Operating Officer of Bear Creek, to assume the role of President and CEO concurrent with Mr. Hawkshaw's retirement. Mr. Hawkshaw will remain a director and Vice Chair of the Company.

On May 11, 2023, the Company announced that Sandstorm Gold Ltd. ("Sandstorm") advanced an additional $5 million pursuant to an amendment to the gold purchase agreement (the "Gold Purchase Agreement") between the two parties originally dated December 17, 2022 (see Bear Creek Mining news release dated December 17, 2022). Proceeds from the additional stream advance will be used to accelerate access to certain higher-grade areas of the Mercedes mine and for general working capital purposes. The Company will deliver 600 ounces of gold per month for seven months in addition to the original commitment of 25,200 ounces (now 600 ounces per month over 49 months, or 29,400 ounces) in exchange for the $5 million advance.

On May 30, 2023, the Company announced that it has executed a non-binding indicative term sheet with Equinox Gold ("Equinox"), to refinance the final purchase price installment for Mercedes this obligation into a five year, $26 million convertible debenture ("Convertible Debenture"). The revised terms provide for the payment into a secured, 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 completion of definitive documentation and approval of the TSX Venture Exchange and the Company's shareholders, as applicable.

2) Mercedes Mine

On December 16, 2021, the Company announced it agreed to acquire all of the shares of Equinox's subsidiaries that own a 100% interest in Mercedes.

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 a convertible debenture of $22.5 million and Gold Purchase Agreement (“GPA”) of $37.5 million. The Company was also required to make a deferred cash payment of $25 million on or before October 21, 2022 and pay a 2% Net Smelter Return on the metal produced from the Mercedes concessions to Equinox.

Under the GPA Bear Creek will sell to Sandstorm 600 ounces of 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 on the day before the delivery date. After that, 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 on the day before the delivery date. Sandstorm will also be granted a right of first refusal on any future royalties, streams, or similar transactions from the Mercedes mining concessions.

Sandstorm provided the Company with $22.5 million on the Closing Date and subscribed to the Convertible Debenture issued by the Company. The Convertible Debenture matures on its third anniversary, bears a 6% coupon and allows the holder to convert the principal, in whole or in part, into common shares of the Company at any time before maturity at CDN$1.51 per common share. The Convertible Debenture can be prepaid in whole or in part with ten days’ notice.

Mercedes is located in the state of Sonora, northwest Mexico, within the Cucurpe municipality (30 19’47” N latitude and 110 29’02” W longitude). The Mine is located 250 km northeast of Hermosillo, Sonora’s capital city, and 300 km south of Tucson, Arizona, United States. The Mercedes Mine began production in 2011 and to December 31, 2022 had processed 7.03 million tonnes grading 4.16 grams per tonne of gold and 44.7 grams per tonne of silver yielding approximately 889,640 ounces of gold and 3,648,292 ounces of silver.

Mercedes is a mechanized, ramp-access, underground mine with five underground mining areas: Mercedes; Barrancas; Lupita; Diluvio; and Rey de Oro. Ore is hauled to the surface and stockpiled on the surface near the individual portals. Ore from the Barrancas, Lupita, Diluvio, and Rey de Oro mines is subsequently hauled to a common stockpile area near the jaw crusher.

The ore processing at Mercedes consists of conventional milling and processing to recover gold and silver. Ore is crushed in three stages and fed to a mill. Milled ore undergoes agitated leaching, counter-current decantation, Merrill-Crowe precipitation, and smelting. A gravity concentration circuit is also present but is generally not used. Recoveries over the 2016 to 2022 period averaged 95% for gold and 36% for silver. Tailings undergo cyanide detoxification before deposition or are used as backfill in the mine.

2.1) Operation Highlights

	Three Months Ended March 31, 2023
Ore tonnes mined - Kt	133.62
Tonnes milled – kt	134.49
Average gold grade mined - grams per tonne	2.93
Average gold grade milled - grams per tonne	2.91
Average silver grade mined - grams per tonne	28.29
Average silver grade milled - grams per tonne	28.18
Recovery rate gold - %	95.56%
Recovery rate silver - %	33.02%
Production:	
Gold oz	12,037.99
Silver oz	40,241.13

2.2) Operating Costs

	Three Months Ended March 31, 2023
Total Cost	**17,817**
Labour	3,721
Operating Materials	4,814
Maintenance Materials	1,795
Power	1,582
Operating Contractors	4,871
General Expenses	925
Stockpile / FG / WIP Adjustments	(70)
Other Items	179
Total Operating Costs Net of Capitalized Items	**16,052**
Costs Capitalized as Mine Development Expenditures	**1,765**

No Lost Time Incidents ("LTI"), Restricted Work, or Medical Treatment Accidents were incurred during the reporting period. The Mercedes Mine reached one year without an LTI during the third quarter and continued that trend through the remainder of the year. No reportable environmental incidents occurred during the reporting period.

26 COVID-19 infections were reported in Q1 2023 with mild symptoms and minimal impact on operations.

The Unison Mining Operating Improvement Project concluded in late January. The work on upgrading the management operating systems, maintenance practices, dispatch control, and mine planning has yielded improvements to the operations. Additional recommendations are being implemented to achieve our operational goals.

During Q1 2023, Mercedes achieved production slightly below the quarterly guidance's midpoint. The Q1 2023 mining plan included slightly lower grades from the mines. The development of Rey de Oro experienced significant delays in Q1 2023 due to contractor performance and contractual disputes. Combined with the delays and effort of constructing the access bypass in Marianas, Mercedes development fell behind schedule during the reporting period.

Programs to evaluate opportunities for cost reduction and accelerate development were initiated at the end of Q1 2023. The Company is evaluating the impact of earlier development delays and costs on the remainder of the year.

Design work for Tailings Storage Facility 3 (“TSF3”) continues as the Company waits for permit approval. Expected expenditures in 2023 are $1.7 million for the prepurchase of materials, with construction programmed to begin in Q1 2024.

2.3) Exploration

During Q3 2022, drilling intercepted a vein of 0.9 meters true width grading 26.2 grams per tonne of gold between the Rey de Oro and Klondike ore bodies. In Q4 2022, three exploration holes were drilled at Rey de Oro to probe the extent of the high-grade intercept encountered during Q3 2022. All holes returned marginal results, which are not out of character for this deposit. Further definition drilling and exploration of the displacement fault in Rey de Oro will begin in Q1 2023.

The exploration program for 2023 began in January with the Reverse Circulation pre-collar drilling through the conglomerate for the first six holes targeting the San Martin displacement. It is expected that diamond core drilling will commence in Q2 2023. Also planned to drill in Q2 2023 are the Marianas deep and Marianas extension holes.

2.4) Outlook

The Company expects to produce 65,000 to 75,000 ounces of gold during 2023. The average cash cost per gold ounce is expected to be in the range of $830 - $940, with All in Sustaining Cost (“AISC”) between $1,120 and $1,290 per gold ounce.

The San Martin deposit is a 4m thick vein with approximately a 15 degree decline. Due to the thickness and low angle of incline, calculations on mining this area with a room and pillar mining method were initiated late in Q1 2023. Development has begun for room and pillar mining in San Martin during Q2 2023.

The Company is currently evaluating mining the Marianas deposit with sub-level caving. The fractured ground and steep angle of the veins (approximately 85 degrees) are favorable conditions for implementing this mining method successfully.

If successful, the changes to the mining methods in San Martin and Marianas should help to significantly reduce mining costs compared to the current Cut and Fill methodology.

Contractor equipment availability impacted Rey de Oro's development and delayed its ore contribution until Q2 2023. The addition of ore from Marianas, San Martin, and Rey de Oro will improve the overall grade profile as the year progresses such that during the second half of 2023, we expect that Mercedes will be operating at an annualized 74k - 86k ounces of gold production at all in sustaining costs of about $1,000 per ounce.

The Company is evaluating the potential impacts of the new mining law in Mexico. Full details will likely be known once the components of the regulation are enacted.

2.5) Gold Purchase Agreement and streams

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. On May 11, 2023 Sandstorm provided the Company with an additional $5 million in exchange for 600 ounces per month for an additional seven months (600 ounces per month for 49 months, totaling 29,400 ounces). After 29,400 ounces have been delivered, 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 ("LBMA") PM fix for the day before the delivery date.

Deliveries made and outstanding balances are set out in the table below:

Delivery Month	Ounces Delivered	Uncredited ounce balance	Value repaid $ (000's)	Amount outstanding $ (000's)
	-	25,200	-	37,500
May	600	24,600	1,004	36,496
June	600	24,000	1,016	35,480
July	600	23,400	944	34,536
August	1,200	22,200	1,955	32,581
September	-	22,200	-	32,581
October	600	21,600	915	31,666
November	600	21,000	976	30,690
December	600	20,400	1,004	29,686
As at December 31, 2022	**4,800**	**20,400**	**7,814**	**29,686**
January 2023	600	19,800	1,045	28,641
February 2023	600	19,200	1,034	27,607
March 20223	600	18,600	1,059	26,548
As at March 31, 2023	**6,600**	**18,600**	**$ 10,952**	**$ 26,548**

This agreement was recognized by the Company as deferred revenue to be recognized as revenue over the term of the agreement. As of the Date of this MD&A, the Company has 38 monthly deliveries of 600 ounces remaining. Thereafter, the Company will sell Sandstorm 4.4% of its Mercedes gold production. The value repaid represents 92.5% of the value of the metal delivered, which is 600 ounces times the LBMA's PM fix price for the day prior to the metal delivery. On May 11, 2023, the Company announced that Sandstorm advanced an additional $5 million pursuant to an amendment to Gold Purchase Agreement between the two parties originally dated December 17, 2022 (see Bear Creek Mining news release dated December 17, 2022). The Company will deliver 600 ounces of gold per month for seven months in addition to the original commitment of 25,200 ounces (now 600 ounces per month over 49 months, or 29,400 ounces) in exchange for the $5 million advance.

Nomad Royalty Company Ltd. gold prepay agreement

On April 21, 2022 as part of the Mercedes acquisition, the Company assumed a gold prepay agreement with the Nomad Royalty Company Ltd. ("Nomad"). 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. Upon assumption on April 21, 2022, the remaining obligation ("Uncredited Balance") under this contract was 5,400 ounces of gold, to be delivered to Nomad.

Deliveries made and outstanding balances are set out in the table below:

Delivery Quarter	**Ounces Delivered**	**Uncredited ounce balance**	**Value repaid $ (000's)**
	-	5,400	-
Q2 2022	900	4,500	1,644
Q3 2022	900	3,600	1,471
Q4 2022	900	2,700	1,623
As at December 31, 2022	**2,700**	**2,700**	**4,738**
Q1 2023	900	1,800	1,769
As at March 31, 2023	**3,600**	**1,800**	**$ 6,507**

Interest is payable quarterly at a rate of 6.5% of the quarterly gold delivery amounts. During the three months period ended March 31, 2023, 58.5 ounces of gold were delivered as interest. 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 . The value repaid represents 100% of the value of the metal delivered, which is 900 ounces times the LBMA's PM fix price for the day prior to the metal delivery.

The balance of the gold prepay agreement as at March 31, 2023 is $3.6 million and will be fully paid with the quarterly payment in Q3 2023.

Nomad Royalty Company Ltd. silver stream

On April 21, 2022 as part of The Mercedes acquisition, the Company assumed a 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's silver fix for the day before delivery.

Deliveries made and outstanding balances are set out in the table below:

Delivery Quarter	Ounces Delivered	Uncredited balance vs 1.2M oz	Uncredited balance vs 3.75M oz	Value repaid (000's)
	-	1,200,000	3,750,000	-
Q2 2022	63,443	1,136,557	3,686,557	1,065
Q3 2022	80,974	1,055,583	3,605,583	1,266
Q4 2022	75,376	980,207	3,530,207	1,290
As at December 31, 2022	**219,793**	**980,207**	**3,530,207**	**3,621**
Q1 2023	73,565	906,642	3,456,642	1,365
As at March 31, 2023	**293,358**	**906,642**	**3,456,642**	**4,986**

The silver stream was determined to be a financial liability recorded at fair value through profit or loss. The value repaid on the liability is variable based on 80% of the silver price (LBMA's silver fix for the day prior to the delivery date) applied to ounces delivered under the contract. The Company is obliged to deliver a minimum of 75,000 ounces per quarter until the 1.2 million ounces are delivered. Thereafter, the Company will deliver 100% of its silver production with no minimum delivery requirement until 3.75 million ounces are delivered. As at March 31, 2023, the balance of the silver stream is $15.7 million.

3) Development Projects

3.1) Corani Silver-Lead-Zinc Project

The 100%-owned Corani silver-lead-zinc project ("Corani") is located in the Andes Mountains, approximately 160 kilometers southeast of Cusco, Peru, at roughly 4800 meters above sea level. The Corani Project consists of twelve mineral concessions forming a contiguous block covering approximately 6,000 hectares.

On November 5, 2019, the Company announced a summary of the results of work leading to a NI 43-101 compliant feasibility study (the "2019 Report"). The 2019 Report is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and on our website www.bearcreekmining.com.

The 2019 Corani Technical Report's objectives were to reduce construction, development, and operating risks and identify potential improvements to the expected economic performance.

2019 NI 43-101 Technical Report Highlights

	2019 Report*
After tax NPV_5	$531 million
After tax IRR	22.90%
Initial Capital	$579 million
Capital Payback	2.4 years
Ore Processed per Day	27,000 tonnes
AISC per oz silver Life of Mine ("LOM"))	$4.55
Average annual silver production (LOM)	9.6 million oz

* The 2019 Report economic estimates are based on metal prices of $18.00 per ounce of silver, $0.95 per pound of lead, and $1.10 per pound of zinc and that the Corani Project would be entirely financed by equity and developed on an Engineering, Procurement and Construction Management ("EPCM") basis.

Social and Environmental

The Company maintains excellent working relationships with local communities. An important element of this relationship is a Life of Mine Investment Agreement ("LOM Agreement") with the Corani District Municipality, five surrounding communities, and relevant ancillary organizations. Under the agreement, the Company will pay 4 million Peruvian Soles ("Soles") annually, approximately $1 million per year, to a trust to fund community projects. The first installment was paid in 2013. All permits were received by June 2018. As a result, annual payments of 4 million Soles will be made throughout the term of the agreement or as further described in the next paragraph. To date, the Company has paid 17.4 million Soles ($4.4 million) under the terms of the LOM Agreement.

These future obligations were recorded as a liability in June 2018 for a total amount of $11.2 million. As at March 31, 2023, the liability has a remaining balance of $9.4 million. Cessation or interruptions of operations will cause pro-rata decreases in the annual payments. The annual payment amount is subject to review at the end of the fifth year of production and may change depending on factors that cannot be foreseen at this time.

During September 2018, the Company started construction of the Antapata electrical substation near the town of Macusani, the nearest sizable town to the Corani Project, located on the Interoceanic Highway approximately 30 kilometers directly east of Corani (about 64 kilometers by road). Substation construction and electromechanical assembly are now complete. The Antapata substation will direct electricity to a power line that will supply the Corani Project and provide a reliable power supply connection point to local communities.

Construction to connect to the town of Isivilla began in the first quarter of 2021. Seven of seventeen towers have been mounted. The remaining tower footings are complete, and the materials required to erect the ten remaining towers are warehoused in Juliaca.

The Macusani municipality is developing an alternative access road to the project from the Interoceanic highway. The Company continues to assist the municipality with technical and other support and will upgrade the road once the municipal scope of work is completed.

Outlook

The Company continues to investigate financing alternatives to fund the development of Corani.

The Company expects to continue early works and planning for construction. The Company expects to start a geometallurgical drilling program during the second quarter of 2023 lasting approximately six months.

The Company contributes to maintaining roads from the Interoceanic Highway through the communities of Tantamaco, Huiquisa, and Corani.

Corani Expenditures

During the three months period ended March 31, 2023, the Company incurred expenses of $1.6 million on the Corani Project. Included in this total are community contribution activities totaling $0.3 million; environmental costs of $0.1 million; salaries and consulting of $0.9 million; camp supplies and logistics of $0.3 million; and other costs of $0.1 million, partially offset by Value Added Tax ("VAT") recoveries of $0.1 million.

Corani Exploration and Evaluation Costs:

	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**

4) Exploration Projects

In Peru, the Company reduced its exploration activities to preserve cash and focus on Mercedes. The Company maintains a core exploration staff to manage its exploration projects. The Company intends to focus on Corani and Mercedes and has budgeted $0.1 million for exploration at Corani and $2.6 million for exploration at Mercedes.

4.1) Tassa Silver-Gold Prospect

Tassa is a gold and silver exploration project located in the district of Ubinas, within the Sanchez Cerro Province in the Moquegua region. The project consists of 1,200 hectares within three concessions.

On February 24, 2020, the Company optioned the Tassa property to Teck Peru S.A. ("Teck"). Under the agreement, Teck may earn a 51% interest in the property by incurring $3 million in expenditures. The Company would hold a 49% interest in a joint venture company ("JV") that would own the Tassa concessions' rights. By incurring an additional $6 million in expenditures, Teck may increase its ownership of the JV to 70%. Prior to the formation of the JV, the Company may elect to surrender its 49% interest for a 2.5% NSR royalty that would reduce to a 1.5% NSR in exchange for a cash payment to Bear Creek of $1.25 million. In February 2022, the Company met with communities to ensure their agreement that it fulfilled its remediation and social commitments before Teck began their exploration work. Teck has engaged local communities and has started the exploration drilling permitting process.

4.2) Generative Exploration

Generative exploration has been an important part of the business of identifying and acquiring new opportunities. However, due to liquidity issues and the Company's focus on Mercedes and advancement of Corani exploration, generative exploration efforts have been reduced. Generative exploration costs are those costs not attributable to a specific project.

IGV

IGV is a Peruvian value added tax amounting to 18% of expenditures for goods or services. Bear Creek Mining S.A.C., the entity that will operate the Corani project, has a contract (the "IGV Contract") with the Ministry of Energy and Mines Peru. Under the terms of the IGV Contract, the Company can recover, on an expedited basis, IGV associated with Corani capital investments described in its approved ESIA and the 2017 Corani Technical Report. From Corani project acquisition date to March 31, 2023, Company has recovered a total of 11.5 million Soles of Corani related IGV, equivalent to approximately $3.1 million.

The IGV expense of $0.1 million represents the IGV paid during the period ended March 31, 2023. IGV is denominated in Peruvian Soles. Net of recoveries, the cumulative amount of IGV paid by the Company as of March 31, 2023, is $14.88 million (55.91 million Soles). Of this amount, $3.26 million is attributable to Bear Creek Mining S.A.C., of which $nil is available for expedited recovery as at March 31, 2023. The remaining balance is available for recovery once Corani is in production. IGV credits can be carried forward indefinitely and can be applied to reduce future income taxes or future IGV.

5) Results of Operations

Three months ended March 31, 2023, as compared to the three months ended March 31, 2022.

For the three months period ended March 31, 2023, the Company recorded a net loss of $11.64 million after taxes compared to a net loss of $4.11 million for the three months ended March 31, 2022, an increase of $7.53 million. The Company's net loss per share for the three months ended March 31, 2023, was $0.08, compared to a net loss per share of $0.03 for the comparable period in 2022.

	Three months period Ended March 31 2023 (000's) $	2022 (000's) $	Difference (000's) $
Revenue	**24,281**	-	**24,281**
Cost of sales	(14,375)	-	(14,375)
Depletion amortization and depreciation	(11,166)	-	(11,166)
Gross profit	**(1,260)**	-	**(1,260)**
Operating Expenses			
Corani engineering and evaluation costs	(1,625)	(2,259)	634
Share-based compensation	(253)	(160)	(93)
Wages and management salaries	(224)	(274)	50
Exploration and evaluation costs	(896)	(248)	(648)
Professional and advisory fees	(105)	(182)	77
General administrative expenses	(1,532)	(144)	(1,388)
Income (loss) before other items	**(5,895)**	**(3,267)**	**(2,628)**
Foreign exchange gain (loss)	(1,501)	(809)	(692)
Interest expense	(1,112)	-	(1,112)
Gain (Loss) on valuation of conversion option	742	-	742
Change in fair value of silver stream and gold prepay	(1,980)	-	(1,980)
Other income (expense)	46	-	46
Accretion expense	(1,457)	(45)	(1,412)
Finance income	43	8	35
Income (loss) and comprehensive income (loss) before tax	**(11,114)**	**(4,113)**	**(7,001)**
Net mining law duty and income tax	(528)	-	(528)
Income (loss) and comprehensive income (loss) after tax	**(11,642)**	**(4,113)**	**(7,529)**

During the three months that ended March 31, 2023, the Company had revenues of $24.28 million compared to $nil in the comparative period for 2022. Cost of goods sold ("COGS"), excluding depreciation and amortization, was $14.38 million in 2023 compared to $nil in 2022. The increase in revenues and COGS was due to the production and sales of gold and silver produced by Mercedes. The gross loss from Mercedes operations was $1.26 million during the three months ended March 31, 2023. The Mercedes operations were negatively impacted by inflationary pressures, mainly reflecting increased prices for diesel and certain consumables, including tires, lubricants, explosives, and steel products (such as grinding media). We also experienced indirect cost increases in other supplies and services due to the inflationary impact of diesel and consumable prices on third-party suppliers. The rise in the Mexican peso exchange rate also raised mining and processing costs. The Company has formulated new mining plan under which production is shifted to bulk mining methods. This is expected to result in increased production outputs and lower mining costs moving forward, the Company expects to see positive results due to this change.

During the three months ended March 31, 2023, spending on the Corani property was $1.63 million, which was a decrease of $0.63 million from $2.26 million incurred during the three months ended March 31, 2022, primarily due to a $0.20 million reduction in wages and salaries and a decrease of $0.23 million in supplies and general costs. The Company recovered $0.10 million in value-added taxes during the three month period that ended March 31, 2023 (2022 – $nil). All other Corani related costs were comparable during the two periods.

Exploration costs incurred on other projects, including maintaining the Company's Peruvian property interests and further exploration at Mercedes, amounted to $0.90 million (2022 - $0.25 million). General and administration costs of $1.53 million were higher by $1.39 million when compared to $0.14 million in 2022, primarily due to administration costs incurred in Mexico related to mine improvements for the operations of Mercedes. The Company's other operating costs were comparable.

During the three months ended March 31, 2023, the Company had a foreign exchange loss of $1.50 million, compared to a loss of $0.81 million during the three months ended March 31, 2022. The foreign exchange gain or loss recognized by the Company is primarily a function of its Canadian dollar cash holdings, the Company's community project obligation of S/ 4 million per year over the next 20 years, and fluctuations in the Mexican Peso compared to the US dollar. Interest expense increased by $1.11 million during 2023 compared to 2022, due to the interest accrual on the $25 million Mercedes acquisition payment that is currently being renegotiated into a promissory note

The Company fair values the conversion feature of its convertible debenture, and call options granted as part of the note payable at each period end, and recorded a gain of $0.74 million presented as a change in fair value of the conversion option. The Company's silver stream and gold prepay obligations are fair valued at each period end, resulting in a loss of $1.98 million during the three months March 31, 2023 (2022 - $nil).

Accretion expense was $1.46 million during 2023 (2022 - $0.04 million). The additional accretion expense results from the Company assuming the convertible debenture, the asset retirement obligation, and the note payable during the three month period ended March 31, 2023.

During the three month period ended March 31, 2023, the Company recorded a current special mining law duty of $0.6 million (2022 - $nil), and deferred income tax recovery of $0.1 million (2022 - $nil).

Summary of Quarterly Results

The following table sets out selected quarterly financial information of the Company and is derived from the interim consolidated financial statements.

Period	Revenues	Loss (income) for the period (in millions)	Basic and fully diluted loss (income) per share
1st Quarter 2023	$24.3	$11.6	$0.08
4th Quarter 2022	$24.4	$11.0	$0.07
3rd Quarter 2022	$26.5	$7.7	$0.05
2nd Quarter 2022	$10.1	$(0.2)	($0.00)
1st Quarter 2022	Nil	$4.1	$0.03
4th Quarter 2021	Nil	$6.4	$0.05
3rd Quarter 2021	Nil	$3.5	$0.03
2nd Quarter 2021	Nil	$7.8	$0.06

The principal recurring factors that cause fluctuations in the Company's quarterly results include the timing of vesting and valuations attributable to share-based compensation, expenditure levels on exploration projects, production expenses and sales, and foreign exchange gains or losses related to the Canadian dollar or Peruvian Sol cash balances. With the acquisition of Mercedes, quarterly results will fluctuate as operating results, and metal prices change from period to period.

There was an increase in loss of $0.6 million in the 1st Quarter of 2023 compared to the 4th Quarter of 2022. The Company's general administrative costs decreased by $1.1 million. The Company has invested in improving the operational efficiency of the Mercedes mine operations and expects to see further improvements during the fiscal year 2023. There were increases in interest expense by $1.11 million, accretion expense by $0.48 million, and depreciation, depletion and amortization by $4.28 million. These increases were offset by decrease in cost of sales by $3.66 million and net income tax and mining law recovery of $0.1 million compared to net income tax and mining law duty of $1.1 million during 4th Quarter 2022. Further non-cash adjustments to the conversion options of convertible debt and call options of the note payable incurred a gain of $0.7 million compared to a loss of $1.5 million during 4th Quarter 2022.

The increase in loss of $3.3 million in the 4th Quarter of 2022 compared to the 3rd Quarter of 2022 was due to decrease in revenue by $2.1 million during the 4th Quarter 2022. The general administrative costs increased due to the ongoing mine improvement project underway at Mercedes. Non-cash adjustments to the conversion options of convertible debt also led to an increase in loss for the quarter as the Company recorded a gain on such options during the 3rd Quarter 2022 compared to a loss in 4th Quarter of 2022.

The increase in loss of $7.9 million in the 3rd Quarter of 2022 compared to the 2nd Quarter of 2022 was due to increased cost of sales and increased depletion, amortization and depreciation during the quarter. The Company incurred an operating loss of $3.0 million compared to an operating profit of $3.7 million in the previous quarter for Mercedes operations. The Company also incurred incremental general and administration costs of $2.18 million (2nd Quarter 2022 - $0.45 million) to support the Mercedes operations, Corani, and other exploration projects.

The increase in income of $4.3 million in the 2nd Quarter of 2022 compared to the 1st Quarter of 2022 was due to the acquisition of Mercedes. The Company had revenues of $10.1 million and gross profit of $3.7 million compared to $nil and $nil, respectively, in the 1st Quarter of 2022. Transaction costs incurred for the purchase of Mercedes totaled $1.7 million during the 2nd Quarter of 2022. Foreign exchange loss increased by $1.04 million. The Company recorded changes in the fair value of the conversion option of the convertible debenture and the long-term debt that increased income for the period by $5.2 million. The current and deferred income tax expense was $1.13 million during the quarter.

The decrease in loss of $2.3 million in the 1st Quarter of 2022 compared to the 4th Quarter of 2021 was primarily due to a decrease in professional fees of $0.8 million, mostly due to a decrease in Mercedes mine transaction related costs. The Company did not record an impairment loss in the 1st Quarter of 2021 compared to an impairment loss of $1.0 million in the 4th Quarter of 2021.

The increase in loss of $2.9 million in the 4th Quarter of 2021 compared to the 3rd Quarter of 2021 was primarily due to increased spending on the Corani property and increased professional fees relating to transaction-related costs. The Company recognized an impairment loss on the Maria Jose property during the 4th quarter of 2021.

The decrease in loss of $4.3 million in the 3rd Quarter of 2021 compared to the 2nd Quarter of 2021 was primarily due to reduced detailed engineering spending on the Corani property and other exploration costs and reduced share-based compensation expense recorded during the 3rd Quarter of 2021 when compared with 2nd Quarter 2021 as a result of the granting of DSU's during the 2nd Quarter of 2021.

The increase in loss of $3.7 million in the 2nd Quarter 2021 compared to the 1st Quarter 2021 was primarily due to increased spending on the Corani property and the granting of DSU's.

6) Liquidity and Capital Resources

At March 31, 2023, cash and cash equivalents and short term investments of $2.60 million consisted of CDN0.18 million ($0.14million), Soles 0.20 million ($0.05 million), Mexican Pesos 4.37 million ($0.24 million) with the remaining balance in US dollars. The Company's major exploration and development expenditures for 2023 are expected to be denominated in US dollars. The Company's Mercedes operation expenditures are approximately 29% in US dollars and 71% in Mexican Pesos. The Company invests cash in Canadian government-backed paper, Peruvian bank time deposits, Mexican bank deposits, and time deposits, or European Euro bank deposits. During the three months period ended March 31, 2023, the Company had a cash flow from operating activities of $4.0 million compared to a cash outflow of $2.5 million in the comparative period in 2022.

Total cash spent on investing activities amounted to $3.6 million related to the payments for capital equipment, expenditures on the Mercedes commitments and Antapata substation were other investing outflows during the period.

Total cash outflow as part of financing activities amounted to $1.3 million, primarily related to the $0.7 million payment for the $25 million Mercedes acquisition payment.

As at March 31, 2023, the Company's net working capital deficiency was $60.0 million compared to net $51.2 million at December 31, 2022. Cash and cash equivalents and short-term investments at March 31, 2023 were $2.6 million compared to $3.5 million at December 31, 2022. Not included in cash and cash equivalents as of March 31, 2023, is $1.7 million; this amount is considered restricted and serves as a partial guarantee for future mine closure obligations.

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.

The $5 million Note 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 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 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 that it has executed a non-binding indicative term sheet with Equinox to refinance this obligation into a five-year secured, and interest bearing Convertible Debenture, pending definitive documentation and approval of the TSX Venture Exchange and the Company's shareholders, as applicable. 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 spreading out the $26 million Equinox payment improves 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 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. The Company is currently trying to raise funds in order to meet its short-term obligations and continue as going concern. The Company have also implemented a new mining plan to increase productivity and lower cost of sales by shifting to a bulk mining methodology. The

Company expects to see positive results from operations from the 3rd Quarter 2023 onwards, leading to improved liquidity.

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

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	$29,387	-	-	-	$1,107	$30,494
Provision-Environmental costs	-	-	-	-	16,366	16,366
Community projects	1,062	1,062	1,062	1,062	13,811	18,059
Other liabilities	56	33	33	33	725	880
Office space leases	92	-	-	-	-	92
Vehicle rentals	283	-	-	-	-	283
Streaming arrangements	7,683	5,333	5,051	1,221	-	19,288
Note payable - Principal	5,000	-	-	-	-	5,000
Note payable - Interest	176	-	-	-	-	176
Equinox payment – Principal [1]	3,137	21,543	-	-	-	24,680
Equinox payment - Interest	3,167	4,395	-	-	-	7,562
Debenture - Repayment	-	-	-	22,500	-	22,500
Debenture - Interest	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.

Issued Shares and Share Purchase Options

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.

As at March 31, 2022, the following stock options, RSUs and DSUs were granted:

	March 31, 2023
Issued and outstanding shares	**154,640,386**
Limit under option plan and LTIP (10% of issued and outstanding shares)	**15,464,039**
Less options granted	**8,200,000**
Less RSU's granted	**1,000,000**
Less DSU's granted	**1,000,000**
Shares reserved under the option and LTIP awards	**5,264,039**

	March 31, 2023
RSU & DSU limit under LTIP	**5,000,000**
Less RSUs granted	**1,000,000**
Less DSUs granted	**1,000,000**
RSU & DSU available to be granted	**3,000,000**

7) Cash Cost and All-in-Sustaining Cost ("AISC") for Mercedes

Cash Cost and AISC are financial measures that do not have any prescribed meaning by IFRS and therefore, may not be comparable to similar measures presented by other companies. The Company has adopted the practice of calculating a performance measure consisting of the net cost of producing an ounce of gold after deducting revenues gained from silver by-product production. Gold Cash Cost and AISC are calculated net of credits for realized silver revenues and are calculated per ounce of gold sold.

	Three Months Ended March 31, 2023 (000's) $
Production cost Mercedes Mine	16,052
Royalties [1]	123
Finished Goods Adjustment	593
By-product silver cost (credit) [2]	529
Cash Cost	**17,297**
Reclamation and Remediation	312
Sustaining capital expenditures	2,471
Exploration and evaluation expense	761
AISC	**20,841**
Gold ounces sold	**12.482**
Cash Cost US$ per ounce sold	**1,386**
AISC US$ per ounce sold	**1,670**

1. 0.5% Government Royalty levied on Gross Revenue.
2. Includes the cash received for silver sold less the net cost of silver ounces purchased to meet the minimum delivery requirement.

To better understand Gold Cash Cost and AISC measures as calculated by the Company, the following table provides the reconciliation of these measures to the applicable cost items, as reported in the consolidated financial statements for the respective period.

	Three Months Ended March 31, 2023 (000's) $
Cost of goods sold	**14,375**
NSR adjustment	(239)
Overhead adjustment	760
Inventory adjustment	1,872
By-product silver debits	529
Cash Cost	**17,297**
Reclamation and Remediation	312
Sustaining capital expenditures	2,471
Exploration and evaluation expense	761
AISC	**20,841**
Gold ounces sold (koz)	**12.482**
Cash Cost US$ per ounce sold	**1,386**
AISC US$ per ounce sold	**1,670**

8) Related Party Transactions

Compensation of Key Management Personnel

The remuneration of the directors, the Chief Executive Officer, the President and Chief Operating Officer and Chief Financial Officer (collectively, the key management personnel) was as follows:

	Three Months Ended March 31			
		2023 (000's)		2022 (000's)
Salaries and directors' 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.

9) Accounting Policies

The preparation of the interim condensed consolidated financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting 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 various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

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

10) 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 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 and call options of the note payable 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 and cash equivalents) 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.

As at March 31, 2023, the Company's financial liabilities consist of accounts payable & accrued liabilities and the current portion of community projects and other liability, principal and interest payment of convertible debentures, deferred obligation to Equinox, streaming arrangements, lease obligations and note payable totaling $51.1 million, which are expected to be paid over the next twelve months, and the long-term portion of such liabilities of $73.1 million, which are expected to be paid over the next five years.

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 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.

Management of capital

The Company's capital management objectives are intended to safeguard the Company's ability to support the Company's development and exploration of its mineral properties and support any expansion plans. The Company's working capital deficiency for the three months period ended March 31, 2023 was $60.0 million (2022: $51.2 million). Material uncertainty remains in relation to the Company generating necessary cash flow from operations or raising financing in the form of debt or equity, which may give rise to significant doubt about the Company's ability to continue as a going concern.

The Company's capital consists of items included in its shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets.

To effectively manage its capital requirements, the Company has a planning and budgeting process to help determine the immediately available funds to meet its objectives. The Company may issue new shares, seek debt or enter into metal purchase agreements to ensure sufficient working capital to meet its short-term business requirements.

There were no changes in approach to capital management during the period ended March 31, 2023.

11) Forward-Looking Information

This document contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. This information and these statements, referred to herein as "forward-looking statements" are made as of the date of this MD&A or as of the date of the effective date of information described in this MD&A, as applicable. Forward-looking statements relate to future events or future performance and reflect current estimates, predictions, expectations or beliefs regarding future events and include, without limitation, statements with respect to: (i) the amount of mineral reserves and mineral resources; (ii) the amount of future production; (iii) net present value and internal rates of return of the proposed mining operation; (iv) capital costs, including start-up, sustaining capital and reclamation/closure costs; (v) operating costs, including credits from the sale of silver, lead and zinc; (vi) waste to ore ratios and mining rates; (vii) expected grades and payable ounces and pounds of metals; (viii) expected processing recoveries; (ix) expected time frames; (x) prices of metals and minerals; (xi) mine life; (xii) expected exploration and development programs and their timing and success; (xiii) expected taxation rates and structure; (xiv) expected mineralization; and (xvi) adequacy of cash balances. The future performance of Mercedes will depend upon whether the Company is able to realize current estimates, predictions, expectations or beliefs about future events including, without limitation: the estimated amount of Mineral Reserves and Mineral Resources; the anticipated merits of the Mercedes Mine; projected exploration budgets; anticipated future replacement of Mineral Reserves and Mineral Resources; cost estimates used in the 2022 Mercedes Report are reasonably accurate; and that there are no material adverse changes in the price of gold and silver and other metals or general economic and political conditions.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "anticipates", "plans", "projects", "estimates", "envisages", "assumes", "intends", "strategy", "goals", "objectives" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

All forward-looking statements are based on the Company's current beliefs as well as various assumptions made by and information currently available to them. These assumptions include, without limitation: (i) the presence of and continuity of metals at projects at modeled grades; (ii) the capacities of various machinery and equipment; (iii) the availability of personnel, machinery, and equipment at estimated prices; (iv) exchange rates; (v) metals and minerals sales prices; (vi) appropriate discount rates; (vii) tax rates and royalty rates applicable to the proposed mining operation; (viii) the availability of financing and expected terms; (ix) financing structure and costs;

(x) anticipated mining losses and dilution; (xi) metals recovery rates, (xii) reasonable contingency requirements; and (xiii) receipt of regulatory approvals and permits on acceptable terms. Although management considers these assumptions and estimates to be reasonable based on available information, they may prove to be incorrect. Many forward-looking statements are made assuming the correctness of other forward-looking statements, such as estimates of net present value and internal rate of return, which are based on most of the other forward-looking statements and assumptions herein. Cost information is prepared using current estimates, but the time for incurring costs will be in the future, and it is assumed costs will remain stable over the relevant period.
By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that estimates, forecasts, projections, and other forward-looking statements will not be achieved or that assumptions do not reflect future experience. We caution readers not to place undue reliance on these forward-looking statements as a number of important factors could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates, assumptions, and intentions expressed in such forward-looking statements. These risk factors may be generally stated as the risk that the assumptions and estimates expressed above do not occur, but specifically include, without limitation, risks related to exploration and development programs and their timing and success; risks relating to variations in the mineral content within the material identified as mineral reserves and mineral resources from that predicted; variations in rates of recovery and extraction; developments in world metals and minerals markets; risks relating to fluctuations in the Canadian dollar, Peruvian Sol and Mexican Peso relative to other currencies; increases in the estimated capital and operating costs or unanticipated costs; difficulties attracting the necessary work force; increases in financing costs or adverse changes to the terms of available financing, if any; tax rates or royalties being greater than assumed; changes in development or mining plans due to changes in logistical, technical or other factors, changes in project parameters as plans continue to be refined; risks relating to receipt of regulatory approvals; the effects of competition in the markets in which the Company operates; operational and infrastructure risks; and the additional risks described in the Company's Annual Information Form for the year ended December 31, 2022 in the feasibility study technical report for the Corani project dated December 17, 2019, and the 2022 Mercedes Report dated April 22, 2022 as filed on the SEDAR website (available at www.sedar.com). The foregoing list of factors that may affect future results is not exhaustive.

Investors and others should carefully consider the foregoing factors and other uncertainties and potential events when relying on forward-looking statements. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on behalf of the Company, except as required by law.

12) Cautionary Note to US Investors

The Company prepares its disclosure in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. Terms relating to mineral resources and mineral reserves in this document are defined in accordance with NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy, and Petroleum Definition Standards for Mineral Resources and Mineral Reserves 2014. Information contained in this document and the documents incorporated by reference herein containing descriptions of the Company's mineral properties, including estimates of mineral resources and mineral reserves, may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder. For additional information please see the Cautionary Note to United States Investors on the Company's Annual Information Form dated April 17th, , 2023 available on www.sedar.com.

13) Disclosure Controls and Procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the year ended December 31, 2022. and this accompanying MD&A.

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at www.sedar.com.

Approval

On May 30, 2023, the Board of Directors of Bear Creek approved the disclosure contained in this MD&A.

Additional Information not part of the MD&A

Additional information relating to Bear Creek is available on SEDAR at www.sedar.com