BEAR CREEK MINING CORPORATION

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023

EXPRESSED IN US DOLLARS

(Unaudited)

Bear Creek Mining Corporation

Interim Condensed Consolidated Statements of Financial Position

Unaudited US Dollars (000's)

	Note		September 30, 2023		December 31, 2022
ASSETS					
Current assets					
Cash	4	$	**1,675**	$	3,484
Short-term investments			**21**		21
Inventory	6		**13,240**		24,595
Receivables	5		**4,032**		5,736
Prepaid expenses and deposits			**2,939**		2,105
Tax receivables			**2,441**		1,544
			24,348		37,485
Non-current assets					
Restricted cash			**1,653**		1,304
Property and equipment	7		**129,761**		147,239
Resource property costs	8		**88,716**		88,704
Right-of-use assets			**196**		421
TOTAL ASSETS		$	**244,674**	$	275,153
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	9	$	**32,879**	$	31,407
Current portion of community projects and other obligation	14, 15		**1,109**		1,102
Current portion of deferred revenue	11		**13,468**		13,059
Current portion of prepay and stream arrangements	12		**5,580**		9,880
Current portion of lease liabilities			**140**		362
Taxes payable			**185**		2,414
Short term loan			**1,311**		-
Note payable	16		**9,215**		4,693
Mercedes acquisition payment	1, 3		**26,546**		25,729
			90,433		88,646
Non-current liabilities					
Accounts payable	9		**1,069**		1,035
Community projects obligation	14		**7,684**		8,017
Convertible debenture	10		**18,638**		20,249
Deferred revenue	11		**11,536**		16,627
Prepay and stream arrangements	12		**7,498**		10,678
Deferred tax liabilities			**1,253**		1,639
Other liabilities	15		**805**		804
Provision for site restoration	13		**13,624**		13,293
			152,540		160,988
EQUITY					
Share capital	17		**358,424**		352,019
Shares to be issued	22		**-**		107
Contributed surplus			**40,156**		39,443
Deficit			**(306,446)**		(277,404)
			92,134		114,165
TOTAL LIABILITIES AND EQUITY		$	**244,674**	$	275,153

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

ON BEHALF OF THE BOARD: Signed "Catherine McLeod-Seltzer", Director Signed "Kevin Morano", 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 and Nine Months Ended September 30

US Dollars (000's, except share data)

(Unaudited)

		Three Months Ended September 30		Nine Months Ended September 30	
	Note	**2023**	2022	**2023**	2022
Revenue	18	$ **18,805**	$ 26,554	$ **62,976**	$ 36,635
Production costs		**(14,347)**	(23,721)	**(43,335)**	(25,274)
Depletion, amortization, and depreciation		**(11,217)**	(5,881)	**(30,986)**	(10,720)
Gross Profit (Loss)		**(6,759)**	(3,048)	**(11,345)**	641
Operating expenses					
Corani engineering and evaluation costs	8a	**(2,228)**	(1,204)	**(5,732)**	(5,098)
Other exploration and evaluation costs	8b	**(1,131)**	(844)	**(2,280)**	(1,366)
Share-based compensation		**(213)**	(102)	**(713)**	(378)
Wages and management salaries	19	**(182)**	(253)	**(670)**	(684)
Professional and advisory fees		**(246)**	(117)	**(702)**	(168)
General and administrative expenses		**(893)**	(2,255)	**(2,550)**	(2,946)
Income (Loss) before other items		**(11,652)**	(7,823)	**(23,992)**	(9,999)
Other income and expense					
Foreign exchange gain (loss)		**1,291**	482	**(1,824)**	(2,181)
Interest expense		**(784)**	-	**(2,584)**	-
Transaction costs	3	**-**	-	**-**	(1,881)
Accretion expense	10,13,16	**(640)**	(1,678)	**(3,521)**	(3,122)
Gain on valuation of conversion option	10, 16	**1,326**	2,563	**3,318**	5,062
Change in fair value of prepay and stream arrangements	12	**553**	(1,582)	**(2015)**	1,144
Other income (expense)		**(154)**	(280)	**(267)**	(182)
Finance income (expense)		**39**	90	**72**	150
Comprehensive Income (Loss) for the Period before Taxes		**$ (10,021)**	$ (8,228)	**$ (30,813)**	$ (11,009)
Current income tax recovery (expense)		**36**	(254)	**1,384**	(1,209)
Deferred income tax recovery (expense)		**202**	820	**387**	641
Comprehensive Income (Loss) for the Period		**(9,783)**	(7,662)	**(29,042)**	(11,577)
Income (Loss) per Share – Basic and Diluted		**$ (0.06)**	$ (0.05)	**$ (0.18)**	$ (0.08)
Weighted Average Number of Shares Outstanding		**167,547,723**	152,956,195	**158,953,329**	140,556,685

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

Bear Creek Mining Corporation

Interim Condensed Consolidated Statements of Cash Flows

For the Nine Months Ended September 30

US Dollars (000's)
(Unaudited)

	Note		2023		2022
Operating Activities					
Loss for the period		**$**	**(29,042)**	$	(11,577)
Items not affecting cash:					
Share-based compensation			**713**		378
Share for services	17		**106**		425
Depletion, depreciation, and amortization			**31,394**		14,126
Accretion expense	10, 13,16		**3,521**		3,123
Accretion of community projects obligation	14		**682**		626
Finance income			**(72)**		(150)
Unrealized foreign exchange loss			**494**		30
Change in fair value of prepay and stream arrangements	12		**2,015**		(1,144)
Gain on valuation of conversion option	10, 16		**(3,318)**		(5,062)
Adjustment to Corani obligation	15		**(4)**		(21)
			6,489		754
Changes in current assets and liabilities:					
Deferred revenue, prepay and stream arrangements	11, 12		**(14,178)**		(10,568)
Receivables and prepaid expenses			**870**		2,203
Accounts payable and accrued liabilities			**2,635**		7,960
Inventory			**8,922**		(7,798)
Taxes and deferred taxes			**(2,702)**		(2,042)
Cash from (used in) operating activities			**2,036**		(9,491)
Investing Activities					
Purchase of equipment	7		**(10,851)**		(9,232)
Resource acquisition costs	8		**(12)**		(12)
Payment of community projects and Corani obligation	14, 15		**(1,107)**		(1,101)
Cash impact of the Mercedes acquisition	3		**-**		1,241
Working capital adjustment for the Mercedes acquisition			**-**		(2,569)
Interest received			**72**		150
Restricted cash			**(349)**		(339)
Cash used in investing activities			**(12,247)**		(11,862)
Financing Activities					
Share capital issued, net of any share issuance costs	17		**6,192**		2,734
Debt issuance costs			**(84)**		-
Proceeds from note payable			**4,000**		4,662
Proceeds from short term loan			**1,300**		-
Interest paid	10,16		**(1,240)**		-
Payment made to Equinox	10		**(1,400)**		-
Principal payments on leases			**(368)**		(520)
Cash provided by (used in) financing activities			**8,400**		6,876
Effect of exchange rate change on cash			**2**		(89)
Net Decrease in Cash			**(1,809)**		(14,566)
Cash – Beginning of Period			**3,484**		24,176
Cash – End of Period		**$**	**1,675**	$	9,610

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
Shares issued for the Mercedes acquisition	24,730,000	21,712	-	-	-	21,712
Share offerings	3,542,160	2,772	-	-	-	2,772
Shares issued for services	555,083	319	106	-	-	425
Share issuance costs	-	(38)	-	-	-	(38)
Share-based compensation	-	-	-	378	-	378
Vesting of RSUs	308,333	205	-	(205)	-	-
Loss for the period	-	-	-	-	(11,577)	(11,577)
September 30, 2022	**153,408,708**	**351,700**	**106**	**38,826**	**(266,378)**	**124,254**
December 31, 2022	154,299,318	352,019	107	39,443	(277,404)	114,165
Private placement (Note 17)	16,725,000	6,220	-	-	-	6,220
Shares issued for services	341,068	213	(107)	-	-	106
Share issuance costs	-	(28)	-	-	-	(28)
Share-based compensation	-	-	-	713	-	713
Loss for the period	-	-	-	-	(29,042)	(29,042)
September 30, 2023	**171,365,386**	**358,424**	**-**	**40,156**	**(306,446)**	**92,134**

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 733 Seymour Street, Suite 3200, Vancouver, British Columbia, Canada, V6B 0S6.

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 financing activities and cash flow from the Mercedes mine 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, the ability to complete the development of the Company's Corani Project in Peru, 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.

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 operations for at least twelve months from September 30, 2023 and will be able to realize its assets and discharge its liabilities in the ordinary course of operations.

As at September 30, 2023, the Company had cash of $1.7 million (December 31, 2022: $3.5 million) and a working capital ("WC") (current assets less current liabilities) deficiency of $66.1 million (December 31, 2022: $51.2 million). For the nine months period ended September 30, 2023, the Company incurred a loss of $29.0 million (September 30, 2022: $11.6 million) and had cash flows from operating activities of $2.0 million (September 30, 2022: outflow of $9.5 million).

On June 30, 2023, the Company signed and entered into an amended agreement with Equinox to convert the Mercedes Acquisition Payment of approximately $26 million into a convertible debenture (the "Equinox Convertible Debenture"), which was subject to approvals from the Company's Shareholders and TSX-V. On September 21, 2023, the Company held a Special Meeting of Shareholders and 57 percent of shares eligible to be voted were cast and the Resolution was passed by 88.9% of votes cast at the Meeting. The Note of $26.6 million was issued on October 19, 2023 and remains subject to final approval by the TSX-V. The Equinox Convertible Debenture matures on the fifth anniversary of the issuance date ("Maturity Date"), with all of outstanding, accrued and unpaid interest due on this date. Interest will accrue monthly on the unpaid Equinox Convertible Debenture balance at a rate equal to 7% per annum. The Company is required to make monthly interest payments in the amount of $0.16 million to Equinox Gold with the balance of the principal and accrued interest payable in full on the Maturity Date. At any time prior to maturity, Equinox may elect to convert the Equinox Convertible Debenture into common shares of the Company at a price of CDN$0.73 per share the "Equinox Conversion Price". During the nine months period ended September 30, 2023, the Company accrued a total of $2.2 million as interest payable and paid a total of $1.4 million to Equinox.

On July 21, 2023, the Company completed a non-brokered private placement of 16.7 million common shares for gross proceeds of CDN$8.2 million.

On September 13, 2023, the Company entered into a short term loan via a Promissory Note with Equinox Gold ("Short Term Loan") in the amount of $1.3 million, effective September 7, 2023. The loan bears interest at 13% with interest calculated daily and the outstanding balance (interest and principal is payable on January 7, 2023.

On September 28, 2023, the Company announced a restructuring of its current stream and debt obligations with Sandstorm Gold Ltd. and its subsidiaries (collectively, “Sandstorm”), which upon receipt of the regulatory approval from TSX-V, is expected to be effected by way of a restructuring agreement (the “Restructuring Agreement”). Under the Restructuring Agreement, effective January 1, 2024, gold deliveries pursuant to the Sandstorm Gold Stream are expected to be reduced from 600 oz per month to 275 oz per month until April 2028, and silver deliveries pursuant to the Nomad Silver Stream are expected to be fully suspended until April 2028. Thereafter, the Company is expected to deliver 100 percent of its silver production to Nomad with no minimum delivery requirements. With the final delivery on September 29, 2023, the Nomad Gold Stream has been fully completed and no further quarterly gold payments are due in respect thereof. Consideration to Sandstorm in exchange for the stream amendments will consist of a 1.0% net smelter returns (“NSR”) royalty on Corani; and payment of up to $10 million in the form of common shares of Bear Creek (each, a “Common Share”), provided that Sandstorm will own no more than 19.99% of Bear Creek’s issued and outstanding Common Shares on a post-closing basis (the “Consideration Shares”). Company is expected to issue common shares to Sandstorm once it gets the approval form TSX-V. If the value of the Bear Creek common shares issued to Sandstorm as consideration under the Restructuring Agreement is less than $10 million (the “Consideration Shortfall”), then Sandstorm has agreed to increase the principal amount of Refinanced Sandstorm Note (as defined below), such that the total value of the issued Bear Creek common shares and the incremental increase in principal amount equals $10 million. The Consideration Shortfall is approximately $4.3 million.

Pursuant to the Restructuring Agreement, Sandstorm is expected to refinance its $22.5 million convertible debenture (Note 10) into a 5-year convertible promissory note bearing interest at 7% per year and convertible into common shares of Bear Creek at a strike price of CDN$0.73 per share (the “Refinanced Sandstorm Note”). The Refinanced Sandstorm Note is expected to have a maturity date of September 22, 2028 and be secured by first lien pledges on the assets of Mercedes, Bear Creek’s equity interests in Mercedes and Corani; and Sandstorm is also expected to refinance its $9 million secured loan (the “Sandstorm Secured Loan”) that was acquired by a wholly-owned subsidiary of Sandstorm (previously the “Auramet Loan”), into a second 5-year convertible promissory note (the “Second Refinanced Sandstorm Note”) on the same terms as the Refinanced Sandstorm Note (Note 16). The $9 million Sandstorm Secured Loan 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 September 30, 2023,and as of the date of issuance of these statements, the Company was in breach of this covenant, however the Company has obtained an approval from the creditor to waive the requirements of this covenant.

As disclosed above, the principal amount of this promissory note is expected to be increased by the amount of the Consideration Shortfall of $4.3 million. In connection with the Restructuring Agreement, Sandstorm has agreed to make up to $8 million in additional credit (the “Interim Credit”) available to Bear Creek under the Sandstorm Secured Loan prior to August 31, 2024, subject to certain conditions. Any amounts drawn from the Interim Credit are expected to be added to the principal amount of the Second Refinanced Sandstorm Note. The Restructuring Agreement has been submitted to the TSX-V for conditional approval. The Company has drawn $3.3 million on this facility as of November 22, 2023.

On October 5, 2023, the Company completed a bought deal financing 27.2 million units, with each unit comprising of one common share and one share purchase warrant (exercisable to redeem one common share until October 5, 2028) for gross proceeds of CDN$9.5 million (Note 22).

While the recent private placement, Equinox Convertible Debenture, Sandstorm Restructuring Agreement and other activities 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 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. Other than the accounting policies included in this section, 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 November 22, 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 Policies

Impairment for property and equipment

The application of the Company's accounting policy for impairment of property and equipment requires judgment to determine whether indicators of impairment exist. The review of impairment indicators includes consideration of significant changes in both external and internal sources of information.

Management uses judgment when assessing whether there are indicators of impairment, such as significant changes in future commodity prices or the Company's share price, discount rates, recoverable resources and reserves estimates, capital expenditure requirements, expected future operation costs or other relevant information that indicates production will not likely occur or may be significantly reduced in the future.

When impairment indicators exist, management estimates the recoverable amount of the cash generating unit ("CGU") and compares it against the CGU's carrying amount. This review is generally performed on a property-by-property basis with each property representing a CGU.

Management has assessed impairment indicators on the Company's property and equipment. The Company concluded that impairment indicators on the Mercedes mine exist as of September 30, 2023 and therefore was required to update the estimate of the recoverable amount of the Mercedes mine. No impairment charge was taken as the recoverable amount of the the Mercedes mine exceeded the carrying value as at September 30, 2023.

The recoverable amount is based on a fair value less cost to sell model using a discounted cash flow methodology. This plan considers the optimal level of investment, overall production levels taking into account all relevant characteristics of the ore body. Therefore, the most current NI 43-101 reserve and resource model (less production to date) is an appropriate basis for forecasting production output in each future year. Related production costs have been estimated using recent historical rates of spend on a per tonne basis, where appropriate. Capital expenditures have been estimated using current prices to complete project estimates as required to execute the production plan.

Projected future revenues reflect the forecast future production levels at the Mercedes mine as detailed in the plan. These forecasts may include the mining and production of mineralized material that does not currently qualify for inclusion in mineral reserve or mineral resource classification. The fair value arrived at, as described above, is the Company's estimate of fair value for accounting purposes and is not a "preliminary assessment", as defined in Canadian Securities Administrators' National Instrument 43- 101 "Standards of Disclosure for Mineral Projects". Projected future revenues also reflect the Company's estimates of future metals prices, which are determined based on current prices, forward prices and forecasts of future prices prepared by industry analysts. These estimates often differ from current price levels, but the methodology used is consistent with how a market participant would assess future metals prices.

For the September 30, 2023 analysis, estimated 2024, 2025, 2026 and long-term gold prices of $1,922, $1,861, $1,800 and $1,697 per ounce, and silver prices of $23.85, $23.52, $23.02 and $22.60 per ounce were used.

The Company's estimates of future cash costs of production and capital expenditures are based on management's plans for the mine. Costs incurred in currencies other than the U.S. dollar are translated to U.S. dollar equivalents based on long-term forecasts of foreign exchange rates obtained from independent sources of economic data.

The discount rate applied to present value the net future cash flows is based on a real weighted average cost of capital specific to Mexico to account for geopolitical risk. For the September 30, 2023 analysis, a discount rate of 7.2% was used to test the Mercedes mine.

Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements in accordance with IFRS requires management to make use of accounting estimates. 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 Payment of $25 million on or before October 21, 2022, the terms of which were renegotiated to convert it into a five year convertible debenture (Note 1) approved by shareholders on September 21, 2023, pending approval from the TSX-V, 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 were 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 has a Deferred Payment obligation of $25 million payable to Equinox before October 21, 2022. This deferred consideration was presented as a discounted amount on the balance sheet using a discount rate of 10%. The Deferred Payment has been renegotiated and restructured subsequently as a convertible debenture, pending approval from the TSX-V (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 were 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

	September 30, 2023 (000's) $	December 31, 2022 (000's) $
Cash	**1,675**	3,484
	1,675	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.

	September 30, 2023 (000's) $	**December 31, 2022 (000's) $**
Trade receivables	**273**	**2,440**
Value added taxes and other receivables	**3,759**	**3,296**
	4,032	**5,736**

6. Inventory

The inventory balance at September 30, 2023 relates to the materials, finished goods, and work in process inventory at the Mercedes mine. During the three and nine months ended September 30, 2023, the Company recognized $14.4 million and $43.4 million, respectively (2022 – $23.7 and $25.3 million) in cost of goods sold.

	September 30, 2023 (000's) $	**December 31, 2022 (000's) $**
Materials and Supplies (i)	**6,150**	**8,724**
Mineral inventory (ii)	**6,686**	**15,554**
Work in process (iii)	**383**	**260**
Current Ore Stockpiles (iv)	**21**	**57**
	13,240	**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 (Note 13)	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	9,000	1,456	10,456
Change in estimate (Note 13)	(1,084)	-	(1,084)
Amortization and depletion	(13,170)	(13,680)	(26,850)
Balance – September 30, 2023	**70,061**	**59,700**	**129,761**

Management has assessed impairment indicators on the Company's property and equipment. The Company concluded that impairment indicators on the Mercedes mine exist as of September 30, 2023 and therefore was required to update the estimate of the recoverable amount of the Mercedes mine. No impairment charge was taken as the recoverable amount of the Mercedes mine exceeded the carrying value as at September 30, 2023.

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	**12**
Balance at September 30, 2023	**88,716**

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:

Corani Engineering and Evaluation Costs:	**Three Months Ended September 30**		**Nine Months Ended September 30**	
	2023 (000's) $	2022 (000's) $	**2023 (000's) $**	2022 (000's) $
Corani				
Community contributions	**268**	368	**925**	1,042
Drilling	**390**	-	**581**	-
Detailed engineering	**19**	23	**64**	158
Environmental	**122**	60	**235**	241
Geophysics	**-**	18	**-**	59
Maintenance costs	**4**	20	**61**	47
Salaries and consulting	**996**	1,065	**2,754**	3,218
Camp, supplies, and logistics	**411**	485	**1,154**	1,641
Travel	**18**	21	**53**	53
Recovery of costs	**-**	(856)	**(95)**	(1,361)
Costs for the Period	**2,228**	1,204	**5,732**	5,098

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 nine-month period ended September 30, 2023, were $2.3 million (2022 - $1.4 million).

The Company expenses the value added tax it pays during the exploration phase. During the nine-month period ended September 30, 2023 the total value added taxes paid were $0.4 million (2022 - $0.5 million). The Company also received a total of $0.1 million in form of Peruvian value added taxes refunds (2022 - $1.4 million).

9. Accounts payable and accrued liabilities

	September 30, 2023 (000's) $	December 31, 2022 (000's) $
Trade payables	**32,366**	30,877
Other payables	**1,582**	1,565
Total	**33,948**	32,442
Less: Current portion	**(32,879)**	(31,407)
Non-Current portion	**1,069**	1,035

10. Convertible Debentures

On April 21, 2022 as part of the Mercedes acquisition (Note 3), Sandstorm provided the Company with $22.5 million in exchange for a convertible debenture (the "Sandstorm Convertible Debenture"). The Sandstorm 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 Sandstorm Convertible Debenture can be prepaid in whole or in part with ten days' notice.

The Sandstorm Convertible Debenture comprises a host loan (the "Sandstorm Debenture") 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 (the "Sandstorm Conversion Option"). On initial recognition, the Sandstorm Conversion Option was calculated first using the Black-Scholes options pricing model with the residual value being assigned to the Sandstorm Debenture. The Sandstorm Debenture is subsequently measured at amortized cost whereas the Sandstorm Conversion Option 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 Sandstorm Conversion Option on April 21, 2022 with the remaining value of $15.76 million allocated to the Sandstorm Debenture. The assumptions used to determine the fair value of the Sandstorm Conversion Option on initial recognition and September 30, 2023 are set in the table out below.

		April 21, 2022	September 30, 2023
Risk-free interest rate		3.00%	4.87%
Expected dividend yield		0.00%	0.00%
Stock price	CA$	1.10	0.21
Expected stock price volatility		72.71%	84.34%
Expected life in years		3	1.56

A continuity of the Sandstrom Convertible Debenture 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	(1,013)	-	(1,013)
Accretion	2,539	-	2,539
Change in fair value of conversion option	-	(3,137)	(3,137)
Balance – September 30, 2023	**18,530**	**108**	**18,638**

On September 28, 2023, the Company announced that it has agreed to restructure the convertible debentures with Sandstorm into a Refinanced Sandstorm Note (Note 1). The Refinanced Sandstorm Note upon issuance is expected to bear interest at 7% per annum, be converted into common shares of the Company at a strike price of CDN$0.73 per share and to have a maturity date of September 22, 2028.

The Refinanced Sandstorm Note is subject to the following closing conditions:
- The Company to complete an equity financing to raise gross proceeds of at least CDN$9.5 million (Note 1, 22)
- Approval from the TSX-V (Note 1)

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.

On May 11, 2023, under the amended agreement, the Company received an additional $5 million from Sandstorm and in return the Company is contracted to now deliver 600 ounces of gold per quarter until 29,400 ounces of gold (instead of 25,200 ounces as disclosed above) have been delivered. All other terms of the original agreement remain the same.

On September 28, 2023, pursuant to the Restructuring Agreement and effective January 1, 2024, the Company is expected to reduce its refined gold delivery obligation to Sandstorm from 600 ounces per month to 275 ounces per month, until the last delivery under this agreement is made in April 2028. The Company is also expected to receive cash payment equal to 25% (previously 7.5%) of the London Bullion Market Association's PM fix for the day before the delivery date.

In consideration of these changes to the gold purchase agreement, the Company is expected provide the following to Sandstorm:
- a 1.0% net smelter returns ("NSR") royalty on Corani; and
- payment of up to US$10 million in the form of common shares of the Company, provided that Sandstorm will own no more than 19.99% of Bear Creek's issued and outstanding Common Shares on a post-closing basis (the "Consideration Shares").

If the value of the common shares issued to Sandstorm as consideration under the Restructuring Agreement is less than $10 million (the "Consideration Shortfall"), then Sandstorm has agreed to increase the principal amount of Refinanced Sandstorm Note, such that the total value of the issued common shares and the incremental increase in principal amount equals $10 million

The Restructuring Agreement has not closed as at September 30, 2023 and is subject to the following closing conditions:

- The Company to complete an equity financing to raise gross proceeds of at least CDN$9.5 million (Note 1, 22)
- Statutory approval from the TSX-V (Note 1)

During the nine months period ended September 30, 2023, the Company delivered 5,400 ounces of refined gold to Sandstorm and recognized a total sales revenue of $10.5 million, including the 7.5% cash sales. As of September 30, 2023, the Company has delivered a total of 10,200 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**
Additions	5,000
Delivery of gold - Principal	(9,682)
Balance – September 30, 2023	**25,004**
Less: current portion	(13,468)
Non-Current Portion	11,536

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. During the nine months period ended September 30, 2023, the Company delivered 2,700 ounces of gold and recognized revenue of $5.17 million (2022 - $3.1 million).

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	(5,165)
Delivery of gold - Interest	(336)
Change in fair value	535
Balance – September 30, 2023	**-**

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. As of September 30, 2023, the Company has delivered the entire balance of 5,400 ounces of gold as part of this arrangement and has no further delivery obligations as part of this agreement.

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 is contracted to 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 nine months period ended September 30, 2023, the Company delivered 211,426 ounces of silver as part of this stream and recorded revenue of $4.9 million (2022 - $2.9 million), 20% of which was cash based and remaining being recorded as part of the amortization of Silver Stream. As of September 30, 2023, the Company has delivered a total of 431,219 ounces of silver as part of this arrangement.

On September 28, 2023, the Company announced that it has agreed to restructure the Silver Stream and effective January 1, 2024, the Company is expected to suspend silver Stream deliveries until April 2028. After April 2028, the Company is expected to commence the deliveries under this stream and to receive cash payments of 25% (Previously 20%) of the silver price applied to 100% of its production with no minimum delivery requirements.

The Restructuring Agreement is subject to the following closing conditions:

- The Company to complete an equity financing to raise gross proceeds of at least CDN$9.5 million (Note 1, 22)
- Statutory approval from the TSX-V (Note 1)

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 September 30, 2023:

	April 21, 2022	September 30, 2023
Discount rate(1)	5.00%	7.21%
Forward silver price range	$22- $24	$23-$24
Expected repayment term	3.95 years	2.50 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	(3,994)
Change in fair value	1,480
Balance – September 30, 2023	**13,078**
Less: current portion	(5,580)
Non-Current Portion	7,498

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 $13.4 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 9.7% and inflation of 3.3%.

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	143
Adjustment due to inflation and discount rate	(1,085)
Foreign exchange	1,273
Balance – September 30, 2023	**13,624**

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 September 30, 2023, the total undiscounted obligation remaining under the Framework Agreement was $16.9 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	(1,082)
Accretion expense	682
Impact of foreign exchange	73
Balance as of September 30, 2023	**8,737**
Less: current portion	(1,053)
Long-term portion	**7,684**

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 September 30, 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	(25)
Revaluation of obligation	(4)
Impact of foreign exchange	31
Balance as of September 30, 2023	**861**
Less: current portion	(56)
Long-term portion	**805**

The Company's estimated future payments are as follows:

	September 30, 2023 (000's) $	December 31, 2022 (000's) $
Within one year	**56**	**55**
After one year but not more than five years	**805**	**804**
	861	**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 was 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.

On April 27, 2023, the Note was assigned to Sandstorm and the principal amount of the Note was increased to $9 million via two payments of $1 million and $3 million, respectively (Sandstorm Secured Loan). The Sandstorm Secured Loan 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 September 30, 2023 and as of the date of these financial statements, the Company was in breach of this covenant, however the Company has obtained an approval from the creditor to waive the requirements of this covenant.

Pursuant to the Restructuring Agreement announced on September 28, 2023 (Note 1), the Company and Sandstorm agreed to convert the $9 million Sandstorm Secured Loan into Second Refinanced Sandstorm Note, bearing interest at 7% per year and convertible into common shares of Bear Creek at a strike price of CDN$0.73 per share. Sandstorm has also agreed to make up to $8 million in Interim Credit available to Bear Creek under this agreement prior to August 31, 2024, subject to certain conditions. Any amounts drawn from the Interim Credit are expected to be added to the principal amount of the 5-year convertible promissory note.

The Restructuring Agreement is subject to the following closing conditions:

- The Company to complete an equity financing to raise gross proceeds of at least CDN$9.5 million (Note 1, 22)
- Statutory approval from the TSX-V (Note 1)

The Company has paid a total of $0.2 million as interest to Sandstorm during the nine months period ended September 30, 2023.

As partial consideration for the Note, the Company entered into an offtake agreement (the "Auramet Offtake Agreement") with Auramet whereby the Company agreed to sell to 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 nine months period ended September 30, 2023, the Company delivered a total of 22,059 ounces of gold and recognized revenue of $42 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 and July 27, 2023 were not exercised.

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 September 30, 2023, resulting in a loss of $0.2 million.

	July 28, 2022	September 30, 2023
Risk-free interest rate	3.24%	4.84%
Spot price of Gold	1,754	1,870.5
Expected gold volatility	21.2% - 21.7%	10.8% - 11.2%
Expected life in years	0.75 - 1.42	0.07 – 0.24

A continuity of the Note Payable is as follows:

	Note (000,'s) $	Call Option (000's) $	Total (000's) $
Balance - December 31, 2021	-	-	-
Proceeds	**4,404**	**258**	**4,662**
Interest paid	(211)	-	(211)
Accretion	310	-	310
Change in fair value of call option	-	(68)	(68)
Balance - December 31, 2022	**4,503**	**190**	**4,693**
Additions	4,000	-	4,000
Interest paid	(226)	-	(226)
Accretion	724	-	724
Interest accrual	204	-	204
Change in fair value of call option	-	(180)	(180)
Balance – September 30, 2023	**9,205**	**10**	**9,215**

17. Capital

Authorized and Issued Share Capital

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

2023 Activity

On July 21, 2023 the Company closed a non brokered private placement financing with a related party of the Company and raised $6.2 million (CDN$8.2 million) by issuing 16,725,000 common shares at the closing rate of $0.37 (CDN$0.49) per share.

During the nine months period ended September 30, 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.

During the nine-month period ended September 30, 2023, the Company recognized $0.71 million (2022 - $0.38 million) as share-based payments expense based on the graded vesting schedule of the 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-V 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

On June 26, 2023, the Company granted 450,000 stock options to an officer of the Company, with each stock option exchangeable for one common share of the Company. The options granted are exercisable for a period of 10 years at an exercise price of CDN$0.45 per stock option. The Company calculated a fair value of $125,683 for these stock options using Black Scholes Options pricing model, the assumptions used to determine the fair value of the options on September 30, 2023 are set in the table out below.

		September 30, 2023
Risk-free interest rate		3.30%
Expected dividend yield		0.00%
Stock price	CA$	0.45
Expected stock price volatility		77.96%
Expected life in years		10.0

A summary of the Company's stock options outstanding as at September 30, 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	4.01	October 3, 2027
670,000	670,000	CDN$2.05	4.41	February 26, 2028
650,000	650,000	CDN$2.05	4.42	March 2, 2028
400,000	400,000	CDN$2.24	4.46	March 16, 2028
150,000	150,000	CDN$1.92	4.70	June 12, 2028
1,430,000	1,430,000	CDN$1.50	5.35	February 1, 2029
75,000	75,000	CDN$1.41	5.44	March 6, 2029
75,000	75,000	CDN$2.58	6.11	November 6, 2029
3,750,000	1,250,000	CDN$0.69	9.22	December 15, 2032
450,000	150,000	CDN$0.45	9.75	June 26, 2033
8,650,000	**5,850,000**		**6.91**	

RSU's

There was no movement in the RSU's during the nine months period ended September 30, 2023. As at September 30, 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.

DSU's

There was no movement in the DSU's during the nine months period ended September 30, 2023. As at September 30, 2023, the Company had a total of 1,000,000 incentive DSU's outstanding.

As at September 30, 2023 and December 31, 2022, the following stock options, RSUs and DSUs were under grant and available for issuance:

	September 30, 2023	December 31, 2022
Issued and outstanding shares	**171,365,386**	154,299,318
Options allowed	**17,136,539**	15,429,932
RSU & DSU limit	**5,000,000**	5,000,000
Options outstanding	**8,650,000**	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	**6,486,539**	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 and nine months period ended September 30, 2023 is shown below:

	Three Months Ended		**Nine Months Ended**	
	September 30, 2023 (000's) $	September 30, 2022 (000's) $	**September 30, 2023 (000's) $**	September 30, 2022 (000's) $
Nomad Stream - gold revenue (Note 12)	**1,796**	1,673	**5,501**	3,317
Nomad Stream - silver revenue (Note 12)	**1,446**	1,580	**4,992**	2,914
Sandstorm Forward gold revenue (Note 11)	**3,462**	3,134	**10,468**	5,318
Auramet - gold revenue (Note 16)	**12,101**	9,737	**42,015**	9,737
Asahi - gold revenue	**-**	10,430	**-**	15,349
	18,805	26,554	**62,976**	36,635

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 September 30		**Nine Months Ended September 30**	
	2023 (000's)	2022 (000's)	**2023 (000's)**	2022 (000's)
Salaries and directors' fees	**$ 521**	$ 488	**$ 1,477**	$ 1,313
Share-based compensation	**197**	77	**652**	289
	$ 718	$ 565	**$ 2,129**	$ 1,602

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

At September 30, 2023, $0.2 million (December 31, 2022 - $nil) was due for director fees.

Sandstorm

Sandstorm is deemed as a related party of the Company and currently owns 9.76% of the Company's issued and outstanding common shares. As at September 30, 2023, the Company has entered into the Restructuring Agreement (Note 1), Convertible debenture (Note 10), Deferred Revenue (Note 11), Streaming Arrangement (Note 12), and Note Payable (Note 16) with Sandstorm. The Company has also completed a non brokered private placement during the nine months period ended September 30, 2023 and raised $6.2 million (CDN$8.2 million) from Sandstorm.

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		September 30, 2023 (000's)		December 31, 2022 (000's)
Peru	$	**92,999**	$	92,824
Mexico		**122,318**		139,818
Canada		**5,008**		5,026
	$	**220,325**	$	237,668

Results for nine months period ended September 30, 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	$	(62,976)	45,264	30,986	1,640	2,193	**17,107**
Corani		-	-	-	5,732	262	**5,994**
Other exploration projects		-	-	-	641	-	**641**
Corporate		-	5,246	-	-	54	**5,300**
	$	(62,976)	**50,510**	**30,986**	**8,013**	**2,509**	**29,042**

Results for nine months period ended September 30, 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	$	(36,635)	27,863	10,720	663	2,132	**4,743**
Corani		-	48	-	5,098	178	**5,324**
Other exploration projects		-	-	-	703	-	**703**
Corporate		-	1,539	-	-	(732)	**807**
	$	**(36,635)**	**29,450**	**10,720**	**6,464**	**1,578**	**11,577**

Results for three months period ended September 30, 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	$	(18,805)	14,995	11,217	855	(1,939)	**6,323**
Corani		-	-	-	2,228	(400)	**1,828**
Other exploration projects		-	-	-	276	-	**276**
Corporate		-	1,624	-	-	(268)	**1,356**
	$	**(18,805)**	**16,619**	**11,217**	**3,359**	**(2,607)**	**9,783**

Results for three months period ended September 30, 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	$	(26,554)	25,720	5,882	663	(453)	**5,258**
Corani		-	48	-	1,204	178	**1,430**
Other exploration projects		-	-	-	181	-	**181**
Corporate		-	679	-	-	114	**793**
	$	**(26,554)**	**26,447**	**5,882**	**2,048**	**- (161)**	**7,662**

21. Financial Instruments 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 September 30, 2023, the fair value of the Sandstorm Conversion Option 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 debentures (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 September 30, 2023, the Company was exposed to currency risk through the following assets and liabilities denominated in Canadian dollars, Mexican Pesos, and Peruvian Soles.

	September 30, 2023		
	Canadian Dollars (000's)	**Peruvian Soles (000's)**	**Mexican Pesos (000's)**
Cash	76	233	1,385
Receivables	27	57,738	177,523
Accounts payable, accrued liabilities and other	(190)	(919)	(279,956)
Provision for environmental rehabilitation	-	-	(236,528)
Community project obligation	-	(36,354)	-
Net exposure	**(87)**	**20,698**	**(337,576)**

Based on the above net exposures at September 30, 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 $7,000 (CDN$ 10,000) 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 $615,000 (S/2,300,000) 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 $2,200,000 (MXN 40,000,000) 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 (Note1)

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, operating and capital commitments at September 30, 2023:

Expenses in (000's)	2023	2024	2025	2026	2027 and Beyond	Total
Accounts payable and accrued liabilities (Note 9)	$32,879	-	-	-	$1,069	$33,948
Provision-Environmental costs (Note 13)	-	-	-	-	16,366	16,366
Community projects (Note 14)	-	1,053	1,053	1,053	13,696	16,855
Other liabilities (Note 15)	55	33	33	33	707	861
Office space leases	69	99	-	-	-	168
Vehicle rentals	94	-	-	-	-	94
Equinox short term loan (Note 1)	-	1,357	-	-	-	1,357
Streaming Arrangements [1] (Note 12)	1,435	5,873	5,659	1,397	-	14,364
Note Payable – Principal [1] (Note 16)	9,000	-	-	-	-	9,000
Note Payable – Interest (Note 16)	249	-	-	-	-	249
Debenture – Principal [1] (Note 10)	-	-	22,500	-	-	22,500
Debenture – Interest (Note 10)	338	1,350	416	-	-	2,104
Equinox Debenture – Principal [2] (Note 1)	897	26,897	-	-	-	27,794
Equinox Debenture – Interest (Note 1)	1,203	3,599	-	-	-	4,802
Total as at September 30, 2023	**$46,219**	**$40,261**	**$29,661**	**$2,483**	**$31,838**	**$150,462**

1) On September 28, 2023, the Company announced the Restructuring Agreement, pursuant to which the silver stream deliveries will be cancelled until April 2028. Company also agreed with Sandstorm to convert the Note Payable into a 5 year convertible promissory note, with interest at 7%, and the Convertible Debenture into a 5 year convertible promissory note with similar terms as the Note payable. The table above has not been adjusted for these changes as the Company is still awaiting approval from the TSX-V (Note 1).
2) The Equinox principal payment was initially due on October 21, 2022. The Company announced on July 5, 2023 that it had entered into an agreement with Equinox and issued a five year Convertible Debenture maturing on October 19, 2028. The table above has not been adjusted for this change as the Company is still awaiting approval from the TSX-V (Note 1).

On July 5, 2023, the Company agreed to convert the Mercedes Acquisition Payment into a 5 year Equinox Convertible Debenture. On September 28, the Company agreed to a Restructuring Agreement with Sandstorm to refinance its existing convertible debenture into 5 year convertible promissory note maturing in April 2028 (previously April 2025), convert the note payable into a 5 year convertible promissory note, and defer the Silver Stream deliveries until April 2028 (Note 1). These agreements are awaiting final TSX-V approval.

The Company closed a non brokered private placement on July 21, 2023 to meet its short-term obligations.

The Company completed a bought deal financing on October 5, 2023 to meet its short-term obligations (Note 22).

While the recent private placement, Equinox Convertible Debenture, Sandstorm Restructuring Agreement, bought deal financing and other activities 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 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 (Note 1).

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 September 30, 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 nine months period ended September 30, 2023, the SOFR ranged between 3.68% – 5.27%.

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 debentures (Note 10).

The Company measures the embedded derivative liability portion of the convertible debentures at fair value at each reporting date, recognizing changes in the fair value in the statements of comprehensive loss and comprehensive loss. This requirement to "mark to fair value" the derivative features could significantly affect the results in the statement of loss and comprehensive loss. If the Company's share price had been CDN$1.00 higher than it was on September 30, 2023, the fair value of the embedded derivative liability of the Company's convertible debentures (Note 10) would have increased by $6.3 million, which would have resulted in the Company recording a loss on the fair valuation of the embedded derivative liability of $3.21 million instead of the gain of $3.14 million.

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22. Subsequent Events

- On October 5, 2023, the Company completed a bought deal financing 27.2 million units, with each unit comprising of one common share and one share purchase warrant for gross proceeds of CDN$9.5 million. Each share purchase warrant is exercisable to redeem one common share of the Company until the expiry date of October 5, 2028.

- On October 19, 2023, the Company issued the 5 year promissory note to Equinox, subject to final approval from the TSX-V, which is expected by the year end. The Equinox Convertible Debenture matures on the fifth anniversary of the issuance date ("Maturity Date"), with all of outstanding, accrued and unpaid interest due on this date. Interest will accrue monthly on the unpaid Equinox Convertible Debenture balance at a rate equal to 7% per annum. The Company is required to make monthly interest payments in the amount of $0.16 million to Equinox Gold with the balance of the principal and accrued interest payable in full on the Maturity Date. At any time prior to maturity, Equinox may elect to convert the Equinox Convertible Debenture into common shares of the Company at a price of CDN$0.73 per share the "Equinox Conversion Price". The Company may elect to prepay any portion of the Equinox Convertible Debenture at any time after the second anniversary of the issuance date up until the Maturity Date, provided that, if at the time of such voluntary prepayment, the volume weighted average price ("VWAP") of the Company's common shares for the 10 trading day ending on the last trading day before the date of such prepayment is greater than the Equinox Conversion Price, a top up cash payment representing the option value from the difference between those amounts shall be paid by the Company to Equinox in addition to the voluntary prepayment amount.

- On October 27, 2023, Auramet exercised their European style call options to purchase additional 625 ounces of gold at a strike price of $1,975/oz (Note 16).