BEAR CREEK MINING CORPORATION

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

EXPRESSED IN US DOLLARS

(Unaudited)

Bear Creek Mining Corporation

Interim Condensed Consolidated Statements of Financial Position

Unaudited US Dollars (000s)

	Note		March 31, 2024		December 31, 2023 Restated *		January 1, 2023 Restated *
ASSETS							
Current assets							
Cash		**$**	**6,345**	$	3,903	$	3,484
Short-term investments			**21**		21		21
Inventory	5		**8,333**		10,249		24,595
Receivables	4		**7,277**		7,413		5,736
Prepaid expenses and deposits			**1,649**		1,967		2,105
Tax receivables			**599**		914		1,544
			24,224		24,467		37,485
Non-current assets							
Restricted cash	6		**2,013**		1,653		1,304
Property and equipment	7		**121,969**		124,129		147,239
Resource property costs	8		**76,683**		88,717		88,704
Right-of-use assets			**257**		344		421
Tax receivables			**1,823**		1,800		-
TOTAL ASSETS		**$**	**226,969**	$	241,110	$	275,153
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	9	**$**	**28,325**	$	28,282	$	31,407
Current portion of community projects and other obligation	14, 15		**1,132**		1,134		1,102
Current portion of deferred revenue	12		**-**		14,964		13,059
Current portion of stream arrangements	12		**7,307**		5,697		9,880
Current portion of lease liabilities			**198**		286		362
Taxes payable			**1,092**		720		2,414
Short term loan	16		**1,398**		1,354		-
Note payable	3, 17		**20,026**		14,324		4,693
Mercedes acquisition payment			**-**		-		25,729
Convertible debenture and notes	3, 11		**50,311**		45,443		20,249
Warrant liability	3, 18		**2,632**		1,937		-
			112,421		114,141		108,895
Non-current liabilities							
Accounts payable	9		**722**		713		1,035
Community projects obligation	14		**8,292**		8,082		8,017
Deferred revenue	12		**-**		6,745		16,627
Stream arrangements	12		**13,135**		6,966		10,678
Deferred tax liabilities			**1,336**		1,119		1,639
Other liabilities	15		**746**		765		804
Provision for site restoration	13		**17,207**		16,183		13,293
			153,859		154,714		160,988
EQUITY							
Share capital	19		**367,035**		362,864		352,019
Shares to be issued			**-**		-		107
Contributed surplus			**39,748**		39,916		39,443
Deficit			**(333,673)**		(316,384)		(277,404)
			73,110		86,396		114,165
TOTAL LIABILITIES AND EQUITY		**$**	**226,969**	$	241,110	$	275,153

* The comparative information has been restated due to the application of amendments to IAS 1 (Note 3).
Going Concern (Note 1)

ON BEHALF OF THE BOARD: Signed “Catherine McLeod-Seltzer”, Director   Signed “Kevin Morano”, Director

Bear Creek Mining Corporation

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

For the Three Months Ended March 31

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

	Note		2024		2023
Revenue	20	**$**	**27,532**	$	24,281
Cost of Sales	21		**(16,790)**		(14,375)
Depletion, amortization, and depreciation			**(7,403)**		(11,166)
Gross Profit (Loss)			**3,339**		(1,260)
Operating expenses					
Corani engineering and evaluation costs	8a	**$**	**(2,074)**	$	(1,625)
Other exploration and evaluation costs	8b		**(1,294)**		(896)
Share-based compensation			**60**		(253)
Wages and management salaries	22		**(432)**		(224)
Professional and advisory fees			**(244)**		(105)
General and administrative expenses			**(851)**		(1,532)
Loss before other items			**(1,496)**		(5,895)
Other income and expense					
Foreign exchange loss			**(253)**		(1,501)
Interest expense and accretion expense	11,13,16,17		**(1,910)**		(2,569)
Change in fair value of embedded derivative	11, 17		**(1,396)**		742
Loss on valuation of warrant liability	18		**(694)**		-
Change in fair value of stream arrangements	12		**(2,557)**		(1,980)
Other income			**60**		89
Loss on restructuring agreement	8,10,11,12,17,19		**(8,289)**		-
Comprehensive loss for the period before taxes		**$**	**(16,535)**	$	(11,114)
Current income tax (expense)			**(537)**		(638)
Deferred income tax (expense) recovery			**(217)**		110
Comprehensive loss for the period		**$**	**(17,289)**	$	(11,642)
Loss per Share – Basic and Diluted		**$**	**(0.08)**	$	(0.08)
Weighted Average Number of Shares Outstanding			**220,619,381**		154,528,815

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 Three Months Ended March 31

US Dollars (000s)
(Unaudited)

	Note	**2024**	2023
Operating Activities			
Loss for the period		**$ (17,289)**	$ (11,642)
Items not affecting cash:			
Share-based compensation	19	**(60)**	253
Share for services		**-**	106
Depletion, depreciation, and amortization for Mercedes		**7,403**	11,166
Depreciation and amortization in evaluation costs and general and administrative expenses		**148**	140
Interest and accretion expense	11,13,16,17	**1,910**	1,457
Accretion of community projects obligation	14	**228**	222
Finance income		**-**	(43)
Unrealized foreign exchange (gain) loss		**107**	1,288
Change in fair value of stream arrangements	12	**2,557**	1,980
Change in fair value of embedded derivative	10,16	**1,396**	(742)
Loss on restructuring agreement	8,10,11,12,17,19	**8,289**	-
Loss on valuation of warrant liability	18	**694**	-
Financing costs	11,12,17	**(101)**	-
Adjustment to Corani obligation	14	**(10)**	32
Deferred income tax expense (recovery)		**217**	(110)
		5,489	4,107
Changes in current assets and liabilities:			
Deferred revenue and stream arrangements	12	**(1,278)**	(6,386)
Receivables and prepaid expenses		**730**	815
Accounts payable and accrued liabilities		**54**	(159)
Inventory		**1,256**	5,005
Taxes payable		**372**	638
Cash from operating activities		**6,623**	4,020
Investing Activities			
Mine development and exploration equipment	7	**(4,169)**	(2,668)
Resource acquisition costs	8	**(3)**	(23)
Payment of community projects and Corani obligation	13,14	**(8)**	(8)
Net cash paid for Mercedes commitments		**-**	(601)
Interest received		**40**	43
Restricted cash	6	**(360)**	(349)
Cash used in investing activities		**(4,500)**	(3,606)
Financing Activities			
Cash received from Interim Credit	17	**1,125**	-
Interest paid	11,17	**(702)**	(473)
Payment made to Equinox		**-**	(700)
Principal payments on leases		**(96)**	(135)
Cash from (used in) financing activities		**327**	(1,308)
Effect of exchange rate change on cash		**(8)**	5
Net Increase (decrease) in Cash		**2,442**	(889)
Cash – Beginning of Period		**3,903**	3,484
Cash – End of Period		**$ 6,345**	$ 2,595

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 (000s, except share data)
(Unaudited)

	Share Capital (Number of Shares)	Share Capital	Shares to be issued	Contributed Surplus	Deficit	Total
January 1, 2023	154,299,318	352,019	107	39,443	(277,404)	114,165
Share issued for services	341,068	213	(107)	-	-	106
Share-based compensation	-	-	-	253	-	253
Loss for the period	-	-	-	-	(11,642)	(11,642)
March 31, 2023	**154,640,386**	**352,232**	**-**	**39,696**	**(289,046)**	**102,882**
December 31, 2023	198,733,386	362,864	-	39,916	(316,384)	86,396
Share issued for Sandstorm Restructuring Agreement	28,767,399	4,063	-	-	-	4,063
Share-based compensation	-	-	-	(60)	-	(60)
Issuance of DSU	75,000	108	-	(108)	-	-
Loss for the period	-	-	-	-	(17,289)	(17,289)
March 31, 2024	**227,575,785**	**367,035**	**-**	**39,748**	**(333,673)**	**73,110**

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 in 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 March 31, 2024 and will be able to realize its assets and discharge its liabilities in the ordinary course of operations.

As at March 31, 2024, the Company had cash of $6.3 million (December 31, 2023: $3.9 million), a working capital ("WC") (current assets less current liabilities) deficiency of $88.2 million (December 31, 2023, restated: $89.7 million), and had cash inflows from operating activities of $6.6 million (March 31, 2023: inflow of $4.0 million). In accordance with amendments to IAS 1 (Note 3), the following have been classified as current: Convertible debenture and notes (Note 11), Note payable (Note 17), and Warrant liability (Note 18).

The Company did the following to address their liquidity issues:

On January 22, 2024, the Company restructured its current stream (Note 12) and debt obligations (Note 11 and Note 17) with Sandstorm Gold Ltd. and its subsidiaries (collectively, "Sandstorm"), which was effected by way of a restructuring agreement (the "Sandstorm Restructuring Agreement"). Under the Sandstorm Restructuring Agreement, effective January 1, 2024, gold deliveries pursuant to the Sandstorm Gold Stream are reduced from 600 oz per month to 275 oz per month until April 2028, and silver deliveries pursuant to the Nomad Silver Stream are 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 in Q3, 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 consists of a 1.0% net smelter returns ("NSR") royalty on Corani (Note 8 and Note 10), issuance of 28,767,399 common shares of Bear Creek with a fair value of $4.1 million (Note 19) and assumed an increase to the principal amount of the Sandstorm Promissory note by $4.2 million (defined below).

Pursuant to the Sandstorm Restructuring Agreement, Sandstorm agreed to refinance its $22.5 million convertible debenture (Note 11) 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 C$0.73 per share (the "Amended Convertible Debenture"). The Amended Convertible Debenture has a maturity date of September 22, 2028 and is secured by first lien pledges on the assets of Mercedes and Bear Creek's equity interests in both Mercedes and Corani. Sandstorm also refinanced its $9 million secured loan (the "Sandstorm Secured Loan") (Note 17) that was acquired by a wholly owned subsidiary of

Sandstorm (previously the "Auramet Loan"), into a second 5-year convertible promissory note ("Sandstorm Promissory Note) on the same terms as the Amended Convertible Debenture.

While the Equinox Note, 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 gives 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, 2023, which were prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB").

The Board of Directors approved these interim condensed consolidated financial statements.

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 interim condensed consolidated financial statements are presented in US dollars unless otherwise noted.

These interim condensed consolidated financial statements follow the same accounting policies and methods of application as our most recent annual financial statements except for certain pronouncements disclosed in Note 3 and for certain policies related the accounting for the Sandstorm Restructuring Agreement (Note 10).

Significant Accounting Estimates and Judgments

The preparation of the interim condensed 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, except for the valuation of the Sandstorm Restructuring Agreement. In determining the effects of the Sandstorm Restructuring Agreement, significant estimation was involved in determining the fair value of the amended stream and debt agreements, as well as the consideration given with respect to the 1% Corani NSR royalty (Note 8). The significant assumptions are summarised in Sandstorm Restructuring Agreement (Note 10), Convertible Debentures (Note 11), Stream Arrangements (Note 12), and Note Payable (Note 17) of these interim condensed consolidated financial statements.

3. IFRS Pronouncements

Amendments to IAS 1 – Presentation of Financial Statements

In October 2022, the IASB issued amendments to IAS 1, Presentation of Financial Statements titled Non-current liabilities with covenants. These amendments sought to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 override but incorporate the previous amendments, Classification of liabilities as current or non-current, issued in January 2020, which clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The Company adopted these amendments effective January 1, 2024, applied them retrospectively as required by the transitional provisions of the amendments and included restated consolidated statements of financial position for the comparative periods ended December 31, 2023 and as at January 1, 2023.

Amendments to IAS 1 resulted in a reclassification of equity-settleable convertible notes and warrant liabilities from non-current liabilities to current liabilities as at December 31, 2023 and January 1, 2023. The convertible notes are convertible at the option of the holders upon satisfaction of certain conditions that are beyond the control of the Company. If such conditions are satisfied, the convertible notes would be convertible at the option of the holders and upon conversion, the convertible notes may be settled, at the Company's election, in common shares of the Company, cash or a combination thereof. As a result, the Company does not have the right to defer settlement of the convertible notes for more than 12 months after the end of the reporting periods. Similarly, the Company has share purchase warrants outstanding in which each share purchase warrant is exercisable at the option of the holders into one common share of the Company, and therefore the Company also does not have the right to defer settlement of the warrant liability for more than 12 months after the end of the reporting periods.

4. Receivables

The Company has one customer outside of its current selling arrangements (Note 12 and Note 17) and majority of the trade receivable balances relate to that one customer.

	March 31, 2024 (000's) $	December 31, 2023 (000's) $
Trade receivables	**143**	1,155
Value added taxes and other receivables	**7,134**	6,258
	7,277	7,413

5. Inventory

The inventory balance as at March 31, 2024 relates to the materials, finished goods, work in process inventory and current ores stockpiles at Mercedes mine. During the three months period ended March 31, 2024, the Company recognized $16.8 million (March 31, 2023 – $14.4 million) in cost of goods sold.

	March 31, 2024 (000's) $	December 31, 2023 (000's) $
Materials and Supplies (i)	**6,245**	7,485
Mineral inventory (ii)	**1,516**	2,514
Work in process (iii)	**338**	250
Current Ore Stockpiles (iv)	**235**	-
	8,333	10,249

(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.

6. Restricted Cash

Under the Corani Mine Closure Plan the Company must provide a closure guarantee. Consequently, the Company provides an insurance deposit for expected closure costs. On January 9, 2023, the Company posted an insurance policy for $6.6 million with the Peruvian Ministry of Energy and Mines to cover the five-year cumulative mine closure guarantee. The Company provided a certificate of deposit in the insurer's name for $2.01 million.

As of the date of these consolidated financial statements, no significant environmental disturbance has been caused due to the activities conducted on the Corani Project. The Company assumed a restoration obligation estimated at $0.20 million upon acquiring the Corani Project.

7. Property and Equipment

	Mineral Property (000's) $	**Exploration and Other Equipment (000's) $**	**Total (000') $**
Balance – January 1, 2023	75,315	71,924	147,239
Additions	12,941	2,531	15,472
Change in estimate (Note 13)	(287)	-	(287)
Amortization and depletion	(19,507)	(18,788)	(38,295)
Balance – December 31, 2023	**68,462**	**55,667**	**124,129**
Additions	3,454	715	4,169
Change in estimate (Note 13)	441	-	441
Amortization and depletion	(3,625)	(3,145)	(6,770)
Balance – March 31, 2024	**68,732**	**53,237**	**121,969**

8. Resource Property Costs

	Corani Project (000's) $
Balance – January 1, 2023	**88,704**
Land acquisition costs	**13**
Balance – December 31, 2023	**88,717**
Land acquisition costs	**3**
1% NSR provided on Sandstorm Restructuring Agreement (Note 10)	**(12,037)**
Balance – March 31, 2024	**76,683**

The fair value of the NSR royalty was estimated at $12.0 million (Note 10). Management has accounted for the consideration given as a reduction to the future value of the Corani mineral interest.

a) Corani Project

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

	Three Months Ended March 31, 2024 (000's) $	Three Months Ended March 31, 2023 (000's) $
Community contributions	**297**	338
Detailed engineering	**33**	24
Environmental	**167**	108
Salaries and consulting	**1,135**	898
Camp, supplies and logistics	**429**	341
Other	**13**	10
Recovery of costs	**-**	(94)
Total	**2,074**	1,625

b) Other Exploration and Evaluation Costs (Recoveries)

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

Total other exploration and evaluation costs incurred during the period ended March 31, 2024 were $0.1 million (March 31, 2023 - $0.1 million).

The Company expenses the value added tax it pays during the exploration phase. During the three months period ended March 31, 2024 the total value added taxes paid were $0.1 million (March 31, 2023 - $0.1 million). The Company also received a total of $0.03 million in form of Peruvian value added taxes refunds.

9. Accounts payable and accrued liabilities

	March 31, 2024 (000's) $	December 31, 2023 (000's) $
Trade payables	**27,100**	26,772
Other payables	**1,947**	2,223
Total	**29,047**	28,995
Less: Current portion	**(28,325)**	(28,282)
Non-Current portion	**722**	713

10. Sandstorm Restructuring Agreement

On January 22, 2024, the Company closed the Sandstorm Restructuring Agreement for Stream Arrangements (Note 12) coming in effect on January 1, 2024, and debt amendments (Note 11 and Note 17) coming in effect on January 22, 2024. The total consideration issued on the Sandstorm Restructuring Agreement was estimated to be $20.3 million, that as at January 22, 2024, comprised of:

- Common shares issued (28,767,399 common shares) with a fair value of $4.1 million (Note 19).
- A 1.0 % net smelter returns royalty on the Company's Corani Project with a fair value of $12.0 million (Note 8).
- The Company increased the principal amount of the Sandstorm Promissory Note by $4.2 million (Note 17) as an additional consideration.

The following inputs were used to determine the fair value of the NSR on Corani as at January 22, 2024. The Company used a discounted cash flow model using production inputs from NI 43-101 report and other key commodity inputs. The following key assumptions were applied:

		January 22, 2024
Estimated mine life		15 years
Long-term forecast silver price	**$/oz**	$28.02/oz
Long-term forecast lead price	**$/lb**	$1.20/lb
Long-term forecast zinc price	**$/lb**	$1.46/lb
Discount rate		14.2%

Management evaluated the terms of the Sandstorm Restructuring Agreement and determined that it represented a substantial modification to the existing stream and debt agreements and has accounted for it as an extinguishment of the existing agreements and the issuance of new stream and debt agreements. The Company recognized a loss on the extinguishment of the debt and stream agreements of $8.3 million, resulting from the fair value of the consideration issued and extinguishment and recognition of the new stream, debt instruments, and additional consideration as follows:

- Revised gold stream: The Company derecognized deferred revenue of $21.7 million, and recognized a gold stream liability of $17.3 million, for a gain of $4.4 million (Note 12).
- Revised silver stream: The Company recognized a gain of $10.8 million as a result of the change in fair value of the silver stream in accordance with the amended terms (Note 12).
- Revised convertible debenture: The Company restructured its $22.5 million Sandstorm Convertible Debenture (Note 11). The carrying value of the host loan debenture and fair value of the derivative liability was $19.3 million and $0.1 million. The fair value of the amended convertible debenture host loan is $22.2 million, and the fair value of the amended derivative liability is $0.3 million, resulting in an overall increase in liability of $3.1 million.

US Dollars 000's

- Revised note payable: As a result of restructuring the Company's Sandstorm Promissory Note (Note 17) into a convertible debenture, the Company derecognized the carrying value of the original loan of $14.8 million and recognized the fair value of the host loan of $18.8 million and conversion option of $0.3 million (including the additional assumed liability of $4.2 million). This resulted in an overall increase in liability of $4.2 million.
- NSR royalty for Corani: As a part of the consideration, the Company granted to Sandstorm 1% NSR royalty on the Corani project with the fair value of $12.0 million (Note 10).
- Common shares: The Company also issued to Sandstorm 28,767,399 common shares with a fair value of $4.1 million (Note 19).

The Company and Sandstorm have also signed the Cross Default Agreement, providing that, if any event of default occurs under any of the Transaction Documents, any or all outstanding obligations become immediately due and payable, all security agreements, charges, pledges, or guarantees shall become immediately enforceable and enforcements proceedings must commence. "Transaction Documents" defined as, collectively, the Sandstorm Stream Agreement (Note 12), the Sandstorm Convertible Debenture (Note 11), the Nomad Stream Agreement (Note 12), and the Sandstorm Promissory Note (Note 17).

11. Convertible Debenture and Notes

Sandstorm Convertible Debenture

On April 21, 2022, as part of the Mercedes acquisition, 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 C$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.

On January 22, 2024, the Company restructured the Sandstorm Convertible Debenture into the Amended Convertible Debenture (Note 1 and Note 10). The Amended Convertible Debenture upon issuance will bear interest at 7% per annum, be convertible into common shares of the Company at a strike price of C$0.73 per share and have a maturity date of September 22, 2028.

The Amended Convertible Debenture is comprised of a host loan and an embedded derivative liability. The conversion option associated with the Amended Convertible debenture was determined to be an embedded derivative as the value of the conversion option changes in response to the Company's share price and due to foreign exchange movements. The embedded derivative liability is a financial liability measured at its estimated fair value with changes in value being recorded in the statement of loss. The host loan is measured at its estimated fair value at initial recognition and subsequently measured at amortized cost.

The fair value of the Sandstorm Conversion Option was estimated using the partial differential equation model. The assumptions used on January 22, 2024 and March 31, 2024 are set in the table out below.

	January 22, 2024	**March 31, 2024**
Remaining term	4.7 years	4.5 years
Coupon rate	7.00%	7.00%
Conversion price	C$0.73	C$0.73
Share price	C$0.19	C$0.23
Expected stock price volatility	60.00%	60.00%
Risk-free interest rate	4.10%	4.40%
Credit spread	4.80%	4.20%
All-in-yield	8.90%	8.60%

A continuity of the Sandstorm Convertible Debenture is as follows:

	Debenture (000's) $	Conversion Option (000's) $	Total (000's) $
Balance – January 1, 2023	**17,004**	**3,245**	**20,249**
Interest paid	(1,350)	-	(1,350)
Interest accrued	1,350	-	1,350
Accretion	2,095	-	2,095
Change in fair value of conversion option	-	(3,193)	(3,193)
Balance – December 31, 2023	**19,099**	**52**	**19,151**
Interest accrued	80	-	80
Accretion	141	-	141
Change in fair value of conversion option	-	9	9
Loss on Sandstorm Restructuring Agreement	2,871	248	3,119
Balance – January 22, 2024	**22,191**	**309**	**22,500**
Debt issue costs	**(38)**		**(38)**
Interest paid	**301**	**-**	**301**
Interest accrued	**(225)**	**-**	**(225)**
Accretion	**9**	**-**	**9**
Change in fair value of conversion option	**-**	**205**	**205**
Balance – March 31, 2024	**22,238**	**514**	**22,752**

Equinox Note

On June 30, 2023 the Company executed an agreement with a subsidiary of Equinox Gold, to convert the Deferred Payment of $26 million owed to Equinox Gold in respect of the Company's acquisition of Mercedes, into a five year convertible interest-bearing promissory note (the "Note"), The principal amount of approximately $26 million (the "Principal") reflects the Deferred Payment less $1.4 million in prior payments and approximately $2.5 million in interest accrued since October 26, 2022. The Note matures on the date that is five years following the date of its issuance (the "Maturity Date") with all of the outstanding Principal and accrued and unpaid interest due on the Maturity Date. Interest will accrue monthly on the unpaid Principal at a rate equal to 7% per annum starting on the last day of the month following the month of issuance of the Note and on the last day of each month thereafter, at an approximate amount of US$152,000 per month. At any time at or prior to the Maturity Date, the unpaid Principal may be converted into Common Shares at a price per share equal to C$0.73 (the "Conversion Price").

On October 19, 2023, the Company issued a secured convertible promissory note in the amount of $26,632,458 (the "Equinox Note") to defer the Note payable to Equinox Gold. The Equinox Note bears interest at a rate of 7% per annum and will mature on October 19, 2028 (the "Maturity Date"). It also 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 C$0.73 per common share. Interest is calculated and payable monthly in arrears on the last day of a calendar month.

The Equinox Note comprises a host loan (the "Equinox Debenture") and an embedded derivative liability. The conversion option associated with the Equinox Debenture was determined to be an embedded derivative as the value of the conversion option changes in response to the Company's share price and due to foreign exchange movements On initial recognition, the Equinox Conversion Option was calculated first using the Black-Scholes options pricing model with the residual value being assigned to the Equinox Debenture. The Equinox Debenture is subsequently measured at amortized cost whereas the Equinox Conversion Option is measured at fair value with changes being recorded in profit or loss at the end of the period.

The fair value of the Equinox Conversion Option on October 19, 2023 was initially estimated to be $2.33 million, with the remaining value of $24.30 million allocated to the Equinox Debenture. As at March 31, 2024, the Equinox Conversion Option was estimated to have a fair value of $2.86 million (December 31, 2023 – $1.85 million). The assumptions used to determine the fair value of the Equinox Conversion Option on December 31, 2023 and March 31, 2024 are set in the table out below.

	December 31, 2023	**March 31, 2024**
Risk-free interest rate	3.17%	3.51%
Expected dividend yield	0.00%	0.00%
Stock price	C$0.18	C$0.23
Expected stock price volatility	69.87%	72.64%
Expected life in years	4.8	4.6

A continuity of the Equinox Note is as follows:

	Debenture (000's) $	**Conversion Option (000's) $**	**Total (000's) $**
Balance – October 19, 2023	**24,301**	**2,331**	**26,632**
Interest paid	(311)	-	(311)
Interest accrued	373	-	373
Accretion	77	-	77
Change in fair value of conversion option	-	(479)	(479)
Balance – December 31, 2023	**24,440**	**1,852**	**26,292**
Interest paid	**(311)**	**-**	**(311)**
Interest accrued	**466**	**-**	**466**
Accretion	**99**	**-**	**99**
Change in fair value of conversion option	**-**	**1,013**	**1,013**
Balance – March 31, 2024	**24,694**	**2,865**	**27,559**

12. Stream Arrangements

Sandstorm Gold Stream and Restructured Gold Stream

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 ("Sandstorm Gold Stream"). After 42 months, the Company would 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.

On May 11, 2023, under an 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 January 22, 2024, pursuant to the Sandstorm Restructuring Agreement and effective January 1, 2024, the Company reduced 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 now receives cash payment equal to 25% (previously 7.5%) of the London Bullion Market Association's PM fix for the day before the delivery date. Prior to the extinguishment of this historical agreement, the gold stream was accounted for as deferred revenue. As of January 22, 2024, the revised gold stream is accounted for at fair value through profit and loss and remeasured each reporting period.

A schedule of the Sandstorm Gold Stream is as follows:

	Total (000's) $
Balance – January 1, 2023	**29,686**
Additions	5,000
Delivery of gold - Principal	(12,977)
Balance – December 31, 2023	**21,709**
Delivery of gold - Principal	**-**
Reclassification as a Stream Arrangement	**(21,709)**
Balance – March 31, 2024	**-**

Restructured Sandstorm Gold Stream

The following inputs were used to determine the fair value of the restructured Sandstorm Gold Stream as at March 31, 2024 and January 22, 2024. The Company used a discounted cash flow model using the reserves at the Mercedes Mine and an allocated portion of indicated and inferred resources. The following key assumptions were applied:

	January 22, 2024	**March 31, 2024**
Estimated life of Mercedes mine	8 years	8 years
Forward gold price range	\$1,952 – \$2,393	\$1,995 – \$2,585
Discount rate	11.7%	11.7%

The Company's Restructured Sandstorm Gold Stream continuity is as follows:

	Total (000's) $
Balance – January 1, 2023	**-**
Balance – December 31, 2023	**-**
Reclassification from Deferred Revenue	21,709
Gain on Sandstorm Restructuring Agreement	(4,359)
Balance – January 22, 2024	**17,350**
Debt issue costs	(28)
Gold stream deliveries	(1,278)
Change in fair value	2,480
Balance – March 31, 2024	**18,524**
Less: current portion	7,307
Non-Current Portion	11,217

During the three months period ended March 31, 2024, the Company, under the Restructured Sandstorm Gold Stream, has delivered 825 ounces (March 31, 2023 – nil) of refined gold to Sandstorm and recognized a total sales revenue of \$1.3 million (March 31, 2023 – \$nil), including the 25% cash sales.

Nomad Silver Stream and Restructured Silver Stream

On April 21, 2022, as part of the Mercedes acquisition, the Company assumed a silver stream arrangement ("Nomad 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 Nomad Silver Stream 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.

On January 22, 2024, the Company restructured the Nomad Silver Stream and effective January 1, 2024, the silver stream deliveries were fully suspended until April 2028. After April 2028, the Company is expected to resume deliveries under this stream arrangement and will receive cash payments of 25% (previously 20%) of the silver price applied to 100% of its production with no minimum delivery requirements. The restructured Silver Stream continues to be a financial liability recorded at fair value through profit or loss.

The following inputs were used to determine the fair value of the Restructured Nomad Silver Stream as at March 31, 2024 and January 22, 2024. The Company used a discounted cash flow model using the reserves at the Mercedes Mine and an allocated portion of indicated and inferred resources. The following key assumptions were applied:

	January 22, 2024	**March 31, 2024**
Estimated life of Mercedes mine	8 years	8 years
Forward silver price range	$22.56-$24.00	$25.39-$27.80
Discount rate	11.7%	11.7%

For the three months period ended March 31, 2024, the Company, in accordance with the Sandstorm Restructuring Agreement made no deliveries (March 31, 2023 - 73,565 ounces) of silver as part of this stream and recorded revenue of $nil (March 31, 2023 - $1.7 million).

The Company's Nomad Silver Stream continuity is as follows:

	Total (000's) $
Balance – January 1, 2023	**15,592**
Silver stream delivery	(5,485)
Change in fair value	2,556
Balance – December 31, 2023	**12,663**
Gain on Sandstorm Restructuring Agreement	(10,819)
Balance – January 22, 2024	**1,844**
Debt issue costs	(4)
Change in fair value	78
Balance – March 31, 2024	**1,918**
Less: current portion	-
Non-Current Portion	1,918

13. Asset Retirement Obligation

On April 21, 2022, as part of the Mercedes acquisition, 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 $20.8 million (December 31, 2023 - $20.8 million) for the Mercedes mine. The Company expects these cash flows outflows to begin in 2026. In calculating the March 31, 2024 estimate, management used the Mexican risk-free interest rate of 9.2% (December 31, 2023 – 9.4%), Mexican inflation rate of 5.5% (December 31, 2023 – 5.5%), and US inflation rate of 4.5% (December 31, 2023 – 4.5%), and a forecasted Mexican inflation rate of 3.2% (December 31, 2023 – 3.2%).

A reconciliation of the discounted provision is provided below:

	Total (000's) $
Balance – January 1, 2023	**13,293**
Accretion	1,256
Adjustment due to inflation and discount rate	(287)
Foreign exchange	1,921
Balance – December 31, 2023	**16,183**
Accretion	**376**
Adjustment due to inflation and discount rate	**440**
Foreign exchange	**208**
Balance – March 31, 2024	**17,207**

14. Community Projects Obligation

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

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

As at March 31, 2024, the total undiscounted obligation remaining under the Framework Agreement was $17.2 million (December 31, 2023 – $17.2 million).

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

	(000's) $
Balance as of January 1, 2023	**9,064**
Payment	(1,082)
Accretion expense	901
Impact of foreign exchange	276
Balance as of December 31, 2023	**9,159**
Payment	-
Accretion expense	228
Impact of foreign exchange	(20)
Balance as of March 31, 2024	**9,367**
Less: current portion	(1,075)
Long-term portion as of March 31, 2024	**8,292**

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 $0.7 million remains outstanding as of March 31, 2024 (December 31, 2023 – $0.8 million).

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, 2023	**859**
Payments	(33)
Revaluation of obligation	(25)
Impact of foreign exchange	21
Balance as of December 31, 2023	**822**
Payments	(8)
Revaluation of obligation	(2)
Impact of foreign exchange	(10)
Balance as of March 31, 2024	**802**
Less: current portion	(56)
Long-term portion as of March 31, 2024	**746**

The Company's estimated future payments are as follows:

	March 31, 2024 (000's) $	December 31, 2023 (000's) $
Within one year	**56**	**57**
After one year but not more than five years	**746**	**765**
	802	**822**

16. Short Term Loan

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 callable by Equinox Gold as of January 7, 2024. No call notice has been received by the Company as at the date of these statements and the balance remains outstanding.

A continuity of the Short Term Loan is as follows:

	Total (000's) $
Balance – January 1, 2023	**-**
Proceeds	1,300
Interest accrued	54
Balance – December 31, 2023	**1,354**
Interest accrued	44
Balance – March 31, 2024	**1,398**

17. Note Payable

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

On July 28, 2023, the first anniversary of the Note, the Facility came due. In accordance with the Facility, the Company may repay the principal amount, in minimum incremental amounts of $1.0 million, either in whole or in part, from time to time without penalty, subject to any accrued interest. The Facility was subject to an original issue discount fee of 2.5%, which was deducted from the advance of the Facility. Interest was to accrue 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.

US Dollars 000's

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 December 31, 2023, the Company was in compliance with this covenant. As of the date of these financial statements, under the Sandstorm Restructuring Agreement, the Company is no longer subject to this covenant.

Pursuant to the Sandstorm Restructuring Agreement, the Company and Sandstorm agreed to convert the $9 million Sandstorm Secured Loan into a note bearing interest at 7% per year and convertible into common shares of Bear Creek at a strike price of C$0.73 per share (the "Sandstorm Promissory Note"). Sandstorm has also agreed to make up to $8 million in additional credit (the "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. As at March 31, 2024, the Company has drawn $6.1 million (December 31, 2023 - $5 million) from the Interim Credit.

The Sandstorm Promissory Note comprises a host loan and an embedded derivative liability. The conversion option associated with the Sandstorm Promissory Note were determined to be an embedded derivative as the value of the conversion option changes in response to the Company's share price and due to foreign exchange movements. The conversion option is a financial liability measured at its estimated fair value with changes in value being recorded in the statement of loss. The host loan is measured at its estimated fair value at initial recognition and subsequently measured at amortized cost.

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 three months period ended March 31, 2024, the Company delivered a total of 11,854 ounces of gold and recognized revenue of $25.8 million (March 31, 2023 – $17.3 million) as part of the Offtake Agreement.

Upon executing the Sandstorm Restructuring Agreement, the fair value of the restructured call options was estimated using the partial differential equation model. The assumptions used on January 22, 2024 and March 31, 2024 are set in the table out below.

	January 22, 2024	**March 31, 2024**
Remaining term	4.7 years	4.5 years
Coupon rate	7.00%	7.00%
Conversion price	C$0.73	C$0.73
Share price	C$0.19	C$0.23
Expected stock price volatility	60.00%	60.00%
Risk-free interest rate	4.10%	4.40%
Credit spread	4.80%	4.20%
All-in-yield	8.90%	8.60%

A continuity of the Note Payable is as follows:

	Note (000,'s) $	Call Option (000's) $	Total (000's) $
Balance – January 1, 2023	**4,503**	**190**	**4,693**
Additions	8,998	-	8,998
Interest paid	(562)	-	(562)
Accretion	537	-	537
Interest accrual	848	-	848
Change in fair value of call option	-	(190)	(190)
Balance - December 31, 2023	**14,324**	**-**	**14,324**
Principal additions	375	-	375
Interest accrual	94	-	94
Loss on Sandstorm Restructuring Agreement (Note 10)	3,994	255	4,249
Balance – January 22, 2024	**18,787**	**255**	**19,042**
Debt issue costs	(32)		(32)
Principal additions	750	-	750
Interest accrual	256	-	256
Interest payments	(166)	-	(166)
Accretion	7	-	7
Change in fair value of call option	-	169	169
Balance – March 31, 2024	**19,602**	**424**	**20,026**

18. Warrant Liability

On October 5, 2023, the Company completed a bought deal financing 27,200,000 units at $0.25 per unit, with each unit comprising of one common share and one share purchase warrant for gross proceeds of $6.9 million (C$9.5 million). Each share purchase warrant is exercisable for a price of C$0.42 to redeem one common share of the Company until the expiry date of October 5, 2028. The warrants are liability classified as the exercise price is denominated in a different currency than the function currency of the entity that issued the warrants. The warrants are measured to their estimated fair value at each financial reporting date with changes in value recorded in the statement of loss.

On initial recognition, these warrants were estimated to have a fair value of $2.6 million and costs related to the issuance of warrants in the amount of $0.2 million were expensed and reported as Other Expenses. As at March 31, 2024, these warrants were estimated to have a fair value of $2.6 million (December 31, 2023 – $1.9 million). The assumptions used to determine the fair value of the warrant liability on December 31, 2023 and March 31, 2024 are set in the table out below.

	December 31, 2023	March 31, 2024
Risk-free interest rate	3.17%	3.64%
Expected dividend yield	0.00%	0.00%
Stock price	C$ 0.18	C$ 0.23
Expected stock price volatility	85.90%	87.91%
Expected life in years	4.8	4.5

19. Capital

Authorized and Issued Share Capital

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

2024 Activity

In consideration for the Sandstorm Restructuring Agreement (Note 10), the Company issued 28,767,399 common shares of the Company to Sandstorm at fair value of C$0.19 per Common Share for an aggregate value of approximately C$5,465,806 or $4,062,733 (such issuance of Common Shares brings Sandstorm's ownership interest in the Company to approximately 19.99% of the outstanding Common Shares) (Note 22).

During the three months period ended March 31, 2024, the Company granted Company granted 1,000,000 stock options to the officers of the Company.

During the three months period ended March 31, 2024, the Company recognized a $0.06 million recovery (March 31, 2023 – $0.25 million expense) of share-based payments based on the graded vesting schedule of the current and previous years' stock option grants.

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 January 4, 2024, the Company granted 500,000 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 C$0.18 per stock option. Options vest 1/2 on grant date and 1/2 on the first anniversary of the grant date. The Company calculated a fair value of $55,560 for these stock options using Black Scholes Options pricing model.

On March 19, 2024, the Company granted 500,000 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 C$0.25 per stock option. Options vest 1/2 on 3 months after grant date and 1/2 on the first anniversary of the grant date. The Company calculated a fair value of $51,850 for these stock options using Black Scholes Options pricing model.

The assumptions used to determine the fair value of the options granted during the year are set in the table out below:

	January 4, 2024	**March 19, 2024**
Risk-free interest rate	3.23%	3.52%
Expected dividend yield	0.00%	0.00%
Stock price	C$0.18	C$0.25
Expected stock price volatility	79.30%	79.96%
Expected life in years	10.0	10.0

A summary of the Company's stock options outstanding as at March 31, 2024 is as follows:

Options Outstanding	**Options Exercisable**	**Price per Share**	**Remaining contractual life (years)**	**Expiry Date**
1,000,000	1,000,000	C$2.25	3.51	October 3, 2027
670,000	670,000	C$2.05	3.91	February 26, 2028
650,000	650,000	C$2.05	3.92	March 2, 2028
400,000	400,000	C$2.24	3.96	March 16, 2028
150,000	150,000	C$1.92	4.20	June 12, 2028
1,430,000	1,430,000	C$1.50	4.84	February 1, 2029
75,000	75,000	C$1.41	4.93	March 6, 2029
75,000	75,000	C$2.58	5.61	November 6, 2029
3,116,667	2,233,333	C$0.69	8.72	December 15, 2032
450,000	150,000	C$0.45	9.24	June 26, 2033
900,000	537,500	C$0.19	9.67	November 30, 2033
250,000	250,000	C$0.18	9.77	January 4,2034
500,000	-	C$0.25	9.97	March 19, 2034
9,666,667	**7,620,833**		**6.83**	

20. Revenue

The Company's revenues are primarily from sales of gold and silver. These products are sold to Nomad Royalty Company Ltd (Note 12), Sandstorm (Note 12), and Auramet (Note 17).

The revenue for the three months period ended March 31, 2024 is shown below:

	March 31, 2024 (000's) $	March 31, 2023 (000's) $
Nomad Gold Stream	**-**	1,885
Nomad Silver Stream (Note 12)	**-**	1,706
Sandstorm Gold Stream (Note 12)	**-**	3,392
Restructured Gold Stream (Note 12)	**1,703**	-
Auramet – gold revenue (Note 17)	**25,829**	17,298
	27,532	**24,281**

21. Production Costs

The production costs for the three months period ended March 31, 2024 is shown below:

	March 31, 2024 (000's) $	March 31, 2023 (000's) $
Raw materials and consumables	**6,195**	7,553
Salaries and benefits	**4,393**	3,404
Contractors and outside services	**4,339**	3,777
Other expenses	**1,845**	990
Changes in inventory	**18**	(1,349)
	16,790	**14,375**

22. Related Party Transactions

Compensation of key management personnel

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

	Three Months Ended March 31			
		2024 (000's)		**2023 (000's)**
Salaries and director's fees	**$**	**753**	$	**470**
Share-based compensation		**78**		**46**
	$	**831**	$	**516**

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

At March 31, 2024, $0.1 million (December 31, 2023 – $nil, January 1, 2023 – $nil) was due for director fees.

Sandstorm

Sandstorm is a related party of the Company and currently owns 19.99% of the Company's issued and outstanding common shares. On January 22, 2024, the Company has entered into the Sandstorm Restructuring Agreement (Note 1 and Note 10), Convertible Debenture (Note 11), Streaming Arrangement (Note 12), and Note Payable (Note 17) with Sandstorm. The Company has also completed a non-brokered private placement during the year ended December 31, 2023 and raised $6.2 million (C$8.2 million) from Sandstorm.

Equinox

Equinox is a related party of the Company and currently owns 11.16% of the Company's issued and outstanding common shares. The Company has entered into the Equinox Note (Note 11) and Short Term Loan (Note 16) with Equinox.

23. 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		March 31, 2024 (000's)		December 31, 2024 (000's)
Peru	$	**81,417**	$	93,144
Mexico		**116,312**		118,472
Canada		**5,016**		5,027
	$	**202,745**	$	216,643

Results for three months period ended March 31, 2024

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	$	(27,532)	17,274	7,403	1,137	1,320	(398)
Corani		-	-	-	2,074	84	2,158
Other exploration projects		-	-	-	157	-	157
Corporate		-	2,151	-	-	13,221	15,372
	$	**(27,532)**	**19,425**	**7,403**	**3,368**	**14,625**	**17,289**

Results for three months period ended March 31, 2023

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

24. 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, 2024, the fair value of the convertible feature of the Sandstorm debentures and Auramet note payables, and the streaming arrangements are measured at fair value using Level 3 inputs. The fair value of the conversion option of the convertible debenture (Note 11) and call options of the note payable (Note 17) 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, 2024, the Company was exposed to currency risk through the following assets and liabilities denominated in Canadian dollars, Mexican Pesos, and Peruvian Soles.

	March 31, 2024		
	Canadian Dollars (000's)	**Peruvian Soles (000's)**	**Mexican Pesos (000's)**
Cash	89	217	4,453
Receivables	39	59,040	229,232
Accounts payable, accrued liabilities and other	(389)	(2,850)	(249,018)
Provision for environmental rehabilitation	-	-	(278,754)
Community project obligation	-	(37,752)	-
Net exposure	**(261)**	**18,655**	**(294,087)**

Based on the above net exposures at March 31, 2024, 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 $20,000 (C$27,000) 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 $501,000 (S/1,866,000) 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 $1,772,000

(MXN$ 29,409,000) in the Company's loss for the period. Conversely, a 10% appreciation of the US dollar relative to the Canadian dollar, Soles, or Mexican Pesos would have the opposite effect.

ii. Credit risk

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

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

iii. Liquidity risk

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

The following table summarizes the contractual maturities of the Company's financial liabilities and operating and capital commitments at March 31, 2024:

Expenses in (000's)	**2024**	**2025**	**2026**	**2027**	**2028 and Beyond**	**Total**
Accounts payable and accrued liabilities (Note 9)	$28,325	-	-	-	$722	$29,047
Provision-Environmental costs (Note 13)	-	-	3,120	2,539	10,508	16,167
Community projects (Note 14)	1,075	1,075	1,075	1,075	12,900	17,200
Other liabilities (Note 15)	57	33	33	680	-	803
Office space leases	70	-	-	-	-	70
Vehicle rentals	266	-	-	-	-	266
Short Term Loan (Note 16)	1,398					1,398
Streaming Arrangements (Note 12)	5,481	4,641	3,753	3,753	2,815	20,443
Note payable – Principal (Note 17)	-	-	-	-	19,792	19,792
Note payable – Interest (Note 17)	1,039	1,385	1,385	1,385	1,098	6,292
Equinox Note – Principal (Note 11)	-	-	-	-	26,632	26,632
Equinox Note – Interest (Note 11)	1,398	1,864	1,864	1,864	1,841	8,831
Sandstorm Convertible Debenture – Principal (Note 11)	-	-	-	-	22,500	22,500
Sandstorm Convertible Debenture – Interest (Note 11)	1,181	1,575	1,575	1,575	1,222	7,128
Total as at March 31, 2024	**$40,290**	**$10,573**	**$12,805**	**$12,871**	**$100,030**	**$176,569**

The Company continues 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.

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, 2024, the Company had minimal funds invested in interest earning savings accounts.

The Company previously had 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 ended March 31, 2024, no existing debt obligation used SOFR as a benchmark.

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. As at March 31, 2024, a 10% change in the price of gold and silver would have resulted in a change to the stream arrangements liability of approximately $1.9 million.

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 20% higher than it was on March 31, 2024, the fair value of the embedded derivative liability of the Company's Convertible Debenture (Note 11), Note Payable (Note 17) and Warrant Liability (Note 18) would have increased by $2.3 million, which would have resulted in the Company recording a combined loss on the fair valuation of the embedded derivative (Note 11 and Note 17) and warrant liability (Note 18) of $4.4 million instead of a loss of $2.1 million.