BEAR CREEK MINING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

EXPRESSED IN US DOLLARS

Independent auditor's report

To the Shareholders of Bear Creek Mining Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Bear Creek Mining Corporation and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dean Larocque.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 26, 2022

Bear Creek Mining Corporation

Consolidated Statements of Financial Position

US Dollars (000's)

	Note		**December 31, 2021**		December 31, 2020
ASSETS					
Current assets					
Cash and cash equivalents	8	**$**	**24,176**	$	20,560
Short-term investments			**22**		22
Receivables and prepaid expenses			**620**		866
			24,818		21,448
Non-current assets					
Restricted cash	9		**965**		627
Property and equipment	10		**6,940**		5,569
Resource property costs	11		**88,688**		89,613
Right-of-use assets	6		**509**		705
TOTAL ASSETS		**$**	**121,920**	$	117,962
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**902**	$	976
Current portion of community projects obligation	12		**1,001**		1,104
Current portion of other liabilities	13		**54**		61
Current portion of lease liabilities	6		**409**		591
			2,366		2,732
Non-current liabilities					
Community projects obligation	12		**7,848**		8,840
Other liabilities	13		**886**		1,252
Lease liabilities	6		**38**		68
Provision for site restoration	9		**200**		200
			11,338		13,092
EQUITY					
Share capital	14		**326,730**		300,986
Contributed surplus			**38,653**		36,835
Deficit			**(254,801)**		(232,951)
			110,582		104,870
TOTAL LIABILITIES AND EQUITY		**$**	**121,920**	$	117,962

Subsequent Events *(Note 19)*

ON BEHALF OF THE BOARD:

Signed "Catherine McLeod-Seltzer", Director

Signed "Erfan Kazemi", Director

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

Bear Creek Mining Corporation

Consolidated Statements of Loss and Comprehensive Loss

For the Years Ended December 31

US Dollars (000's, except share data)

	Note	**2021**	2020
Operating expenses			
Corani engineering and evaluation costs	11	**$ 13,907**	$ 8,970
Other exploration and evaluation costs	11	**2,306**	1,180
Share-based compensation	14	**2,401**	1,129
Wages and management salaries	15	**1,027**	889
Professional and advisory fees	16	**1,736**	1,365
Impairment of resource property	11	**951**	-
General office expenses		**320**	209
Shareholder information and filing fees		**249**	247
Travel		**31**	22
Loss before other items		**22,928**	14,011
Other income and expense			
Foreign exchange loss/(gain)		**(1,112)**	(1,307)
Accretion expense		**149**	77
Finance income		**(115)**	(257)
Loss and Comprehensive Loss for the Year		**$ 21,850**	$ 12,524
Loss per Share – Basic and Diluted		**$ 0.18**	$ 0.11
Weighted Average Number of Shares Outstanding		**123,681,636**	110,904,678

Bear Creek Mining Corporation

Consolidated Statements of Cash Flows

For the Years Ended December 31

US Dollars (000's)

	Note		2021		2020
Operating Activities					
Loss for the year		**$**	**(21,850)**	$	(12,524)
Items not affecting cash:					
Amortization			**710**		784
Accretion of community projects obligation	12		**843**		979
Corani obligation	13		**(224)**		110
Accretion of lease liabilities	6		**149**		97
Impairment on resource property	11		**951**		-
Share-based compensation	14		**2,401**		1,129
Finance income			**(115)**		(257)
Unrealized foreign exchange (gain) loss			**(1,247)**		(1,247)
			(18,382)		(10,929)
Changes in current assets and liabilities:					
Receivables and prepaid expenses			**409**		(78)
Accounts payable and accrued liabilities			**(162)**		(82)
Cash used in operating activities			**(18,135)**		(11,089)
Investing Activities					
Purchase of equipment	10		**(1,653)**		(1,975)
Resource acquisition costs	11		**(26)**		(21)
Payment of community projects and Corani obligation	12 & 13		**(1,109)**		(1,158)
Short-term investments received			**-**		11,117
Interest received			**115**		268
Restricted cash	9		**(337)**		-
Cash provided by (used in) investing activities			**(3,010)**		8,231
Financing Activities					
Share capital issued, net of share issuance costs	14		**25,238**		11,628
Principal payments on leases	6		**(713)**		(735)
Proceeds from exercise of stock options	14		**-**		1,405
Cash provided by (used in) financing activities			**24,525**		12,298
Effect of exchange rate change on cash and cash equivalents			**236**		218
Net Increase in Cash and Cash Equivalents			**3,616**		9,658
Cash and cash equivalents – Beginning of Year			**20,560**		10,902
Cash and Cash Equivalents – End of Year		**$**	**24,176**	$	20,560
Non-cash transactions					
Additions to lease liabilities		**$**	**379**	$	**475**
Issuance of Restricted Shares Units ("RSU's)		**$**	**508**	$	**-**

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

Bear Creek Mining Corporation

Consolidated Statements of Changes in Equity

US Dollars (000's, except share data)

	Share Capital (Number of Shares)	Share Capital	Contributed Surplus	Deficit	Total
December 31, 2019	**103,229,064**	**287,035**	**36,623**	**(220,427)**	**103,231**
Share offerings	7,905,000	12,522	-	-	12,522
Share issuance costs	-	(893)	-	-	(893)
Exercise of stock options	1,305,250	1,405	-	-	1,405
Fair value of options exercised	-	917	(917)	-	-
Share-based compensation	-	-	1,129	-	1,129
Loss for the year	-	-	-	(12,524)	(12,524)
December 31, 2020	**112,439,314**	**300,986**	**36,835**	**(232,951)**	**104,870**
Share offerings	11,500,000	27,107	-	-	27,107
Share issuance costs	-	(1,869)	-	-	(1,869)
RSU's issued	333,818	506	(583)	-	(77)
Share-based compensation	-	-	2,401	-	2,401
Loss for the year	-	-	-	(21,850)	(21,850)
December 31, 2021	**124,273,132**	**326,730**	**38,653**	**(254,801)**	**110,582**

1. Nature of Business

Bear Creek Mining Corporation's ("Bear Creek" or the "Company") business is the acquisition, exploration, and development of precious and base metal properties in Peru and Mexico.

Bear Creek 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 head office, principal address, and records office of the Company is 400 Burrard Street, Suite 1400, Vancouver, British Columbia, Canada, V6C 3A6.

The mining and exploration business involves a high degree of risk, and there can be no assurance that current exploration and development projects will result in profitable mining operations. The Company has no source of revenue. To carry out its exploration plans and commitments, development activities, administrative overhead, and maintain its mineral interests the Company requires funds from investors. The recoverability of amounts shown for resource properties is dependent on several factors. These factors include the discovery of economically recoverable reserves, the ability to complete the development of these properties, and future profitable production or proceeds from the disposition of mineral properties.

Ownership interests in mineral properties involve risks due to the difficulties of determining and obtaining a clear title to claims and the potential for problems arising from many mineral properties' frequently ambiguous conveyance history. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests is in good standing.

On April 21, 2022 ("Closing Date"), the Company completed the acquisition of Mercedes Mine from Equinox Gold Corp. ("Equinox"). As part of this transaction the Company paid the cash consideration of $75 million, including $60 million provided by Sandstorm Gold Ltd. ("Sandstorm"), and issued 24,730,000 Bear Creek common shares to Equinox. The Company is obligated to make a deferred cash payment of $25 million during the fourth quarter of 2022 and pay 2% Net Smelter Return on the metal produced from the Mercedes concessions to Equinox.

The $60 million cash consideration, provided by Sandstorm consists of a $37.5 million Gold Purchase Agreement and a $22.5 million Convertible Debenture

As per the terms of the Gold Purchase Agreement, Sandstorm provided the Company with $37.5 million in cash on the Closing Date and in exchange Bear Creek will 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 spot gold price at the time of delivery. Thereafter, the Company will sell to Sandstorm 4.4% of gold produced by Mercedes at a price equal to 25% of the spot price at the time of delivery.

As per the terms of the Convertible Debenture, Sandstorm provided the Company with $22.5 million in cash on the Closing Date and in exchange subscribed to a Convertible Debenture. The Convertible Debenture matures on its third anniversary, bears a 6% coupon, and allows the holder to convert the Principal, in whole or in part, into common shares of the Company at any time before maturity at the greater of a 35% premium to the closing price per common share of the Company on the closing date of the acquisition or as otherwise permitted by the TSX-V.

The Peruvian government extended the COVID-19 medical state of emergency until August 29, 2022. Curfews have been lifted throughout the country. The Lima office staff began working from home on January 4, 2022 and returned to the office on a reduced schedule on March 1, 2022. Staff levels at Corani remain on 28-day rotations rather than the pre-COVID-19 turnaround of two weeks. Management cannot predict the effect of the COVID-19 virus on the Company's future business plans, financial position, cash flows, and results of operations.

2. Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The accounting policies applied during the year are consistent with those of the previous financial year.

The Board of Directors approved the consolidated financial statements on April 26, 2022.

3. Summary of Significant Accounting Policies

a) Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are fully consolidated from the date the Company obtains control and continue to be consolidated until the date that control ceases. Control is achieved when the Company has the ability or right to cause variable returns from or is exposed to variable returns from its involvement with an entity and can affect those returns through its ability to direct the entity's activities.

The principal subsidiaries of the Company, their activities, and their geographic locations as at December 31, 2021 were as follows:

Subsidiary	Principal activity	Location	Ownership interest
BCMC Corani Holdings Ltd.	Holding company	Canada	100%
Bear Creek Resources Company Ltd.	Holding company	Canada	100%
Bear Creek (BVI) Limited	Holding company	British Virgin Islands	100%
Corani Mining Limited	Holding company	British Virgin Islands	100%
Bear Creek Mining S.A.C.	Mineral exploration	Peru	100%
Bear Creek Exploration Company Ltd. and Bear Creek Mining Company Sucursal del Peru	Mineral exploration	Peru	100%
INEDE S.A.C.	Mineral exploration	Peru	100%
Electro Antapata S.A.C.	Electrical Power Distribution	Peru	100%

All transactions and balances among the entities in the consolidated group are eliminated upon consolidation.

b) Foreign Currencies

The functional currency of the Company and its subsidiaries is the United States (“US”) Dollar. Functional currency determinations were conducted by analyzing the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates (“IAS 21”). These consolidated financial statements are presented in US dollars.

Transactions in foreign currencies are translated to the entity’s functional currency at the exchange rate in effect at the date of the transaction. At balance sheet dates, monetary assets and liabilities denominated in foreign currencies are translated at the period end date exchange rates. Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and subsequently amortized through profit or loss using this same exchange rate.

c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, term deposits, and other short-term highly liquid investments with the original term to maturity of three months or less.

d) Short-term Investments

Short-term investments are transitional or current investments with an original term to maturity greater than three months but less than one year.

e) Financial Instruments

Measurement – Initial Recognition

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as fair value through profit or loss (“FVTPL”). Transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period they are incurred. The Company does not have any financial assets or liabilities classified as at FVTPL.

Subsequent measurement of financial assets and liabilities depends on the asset’s or liability’s classification.

Financial Assets

Financial assets that meet the following conditions are measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments minus the cumulative amortization, using the effective interest method applied to the difference between the initial amount and the maturity amount, adjusted for any allowance due to losses or gains. Interest income is recognized using the effective interest method.

The Company’s financial assets at amortized cost include its cash and cash equivalents and accounts receivable.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the related contractual arrangements.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity.

An equity instrument is any contract that evidences a residual interest in an entity's assets after deducting all of its liabilities. Equity instruments issued by the Company are recognized as proceeds received net of direct issue costs.

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full to a third party under a ‘pass-through’ arrangement;
- And either (a) the Company has transferred substantially all risks and rewards of the asset, or (b) the Company retains legal title but has contractually or otherwise transferred the associated economic risks and rewards.

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired.

f) Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits from such assets will flow to the Company and the cost of such assets can be measured reliably. The carrying amount of an asset is derecognized when it is replaced or taken out of service. Repairs and maintenance costs are charged to the statement of loss and comprehensive loss during the period they are incurred.

The major categories of equipment and leasehold improvements are amortized on a straight-line basis as follows:

Furniture and fixtures	10 years
Office equipment	5 years
Vehicles	5 years
Leasehold improvements	5 years
Right-of-use assets	Term of the leases

The Company allocates the amount initially recognized to each asset's significant components and depreciates each separately. Residual values, amortization methods, and useful lives of the assets are reviewed at each financial period end and adjusted on a prospective basis if required.

Gains and losses on equipment disposals are determined by comparing the proceeds with the asset's carrying amount and are included in the statement of loss and comprehensive loss.

g) Resource Property and Exploration Costs

The Company capitalizes on the direct costs of acquiring mineral property interests. Option payments are considered acquisition costs if the Company intends to exercise the underlying option.

Property costs in relation to exploration activities are expensed as incurred until such time that the property demonstrates technical feasibility and commercial and legal viability. Upon demonstrating technical, commercial, and legal viability, and subject to an impairment analysis, additional costs for the property are capitalized prospectively as development costs within Resource Property Costs. Technical, commercial, and legal viability coincides with the establishment of proven and probable mineral reserves and the approval by the Board of Directors to proceed to development.

If no viable ore body is discovered on a property, previously capitalized acquisition costs are expensed in the period that the property is determined to be uneconomic or abandoned.

h) Impairment of Non-Financial Assets

The carrying amounts of non-financial assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the asset's recoverable amount is estimated to determine the extent of any impairment. To measure recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable potential cash flow generating units ("CGU's"). The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use (being the present value of the expected future cash flows of the CGU). An impairment loss is recognized, in the statement of income (loss) and comprehensive income (loss), for the amount by which the asset's carrying amount exceeds its recoverable amount.

Non-financial assets impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the asset's carrying amount is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset. A reversal of an impairment loss is recognized in the statement of income (loss) and comprehensive income (loss).

i) Provisions

(i) Decommissioning and restoration provision: The cost of future obligations to retire an asset including dismantling, remediation, and ongoing treatment and monitoring of the site related to normal operations is initially recognized and recorded as a liability based on estimated future cash flows discounted at a risk adjusted pre-tax discount rate.

The decommissioning and restoration provision is adjusted at each reporting period for changes to the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the pre-tax discount rate.

The liability is also accreted to full value over time through periodic charges to earnings as a finance expense in the statement of income (loss) and comprehensive income (loss).

The cost of decommissioning and restoration represents part of the cost of acquiring the asset's future benefits; therefore, the decommissioning and restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to earnings on the same basis as the underlying asset.

(ii) Other provisions: Provisions are recognized when a current legal or constructive obligation exists as a result of past events and settling the obligation will require a reliably estimated outflow of resources. Provisions are discounted using a pre-tax risk-adjusted interest rate.

j) Share-Based Compensation

The fair value method of accounting is used for share-based compensation. Under this method, the cost of stock options and other equity-settled share-based payment arrangements are recorded on the date of grant at estimated fair value using the Black-Scholes option pricing model. This cost is charged as compensation expense to earnings over the vesting period. Compensation expense is recognized over the vesting period based on the number of awards expected to vest. At the end of each reporting period, the Company revises its estimates of the number of options expected to vest. The Company recognizes the impact of the revision to original estimates, if any, in the statement of loss and comprehensive loss.

Option pricing models require subjective assumptions, including the expected price volatility of the underlying instrument, assumed interest rates, and the expected option life. Changes, over time, in these assumptions can materially affect the estimated fair value of stock options or other equity-settled instruments granted and the corresponding charge to loss.

k) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the related income tax is recognized directly in equity.

Current tax is the expected tax payable on taxable income for the year using tax rates enacted or substantively enacted at the end of the reporting period and any adjustments to tax payable in respect of previous years.

Generally, deferred tax is recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date that are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that such assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except, in the case of subsidiaries, where the Company controls the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

l) Loss per Share

Basic loss per share is computed by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise, or contingent issuance of securities only when such conversion, exercise, or issuance would have a dilutive effect on earnings per share. The dilutive effect of outstanding options and their equivalents is reflected in diluted earnings per share by applying the treasury stock method. The treasury stock method calculates the dilutive effect of share options assuming that the proceeds to be received on the exercise of share options are applied to repurchase common shares at the average market price of the period.

4. Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant areas where judgment and estimates are applied include the recoverability of resource property costs, inputs used in accounting for share-based compensation, and valuation of certain other obligations as described below. Actual results could differ from these estimates.

Key estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Critical accounting estimates

Significant assumptions relate to the following:

i. *Share-based compensation:* The Company provides compensation benefits to employees, directors, and officers through a stock option and long-term incentive plan The fair value of each option or share award is estimated on the date of the grant using the Black-Scholes pricing model. Expected volatility is based on the historical volatility of the Company's share price. The valuation model uses historical data to estimate option exercises and forfeiture behavior. The risk-free rate for the option's expected term is based on the Government of Canada yield curve in effect at the time of the grant.

ii. *Impairment of mineral properties:* The net carrying value of each mineral property is reviewed regularly for conditions that suggest impairment. This review requires significant judgment. Factors considered in the assessment of potential impairment indicators include, but are not limited to whether: there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

5. New accounting standards not yet adopted

Property, Plant and Equipment

Proceeds before Intended Use (Amendments to IAS 16): The amendments prohibit an entity from deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. This amendment is effective for the Company's annual reporting period beginning January 1, 2022, with early adoption permitted. The Company is in the process of assessing the impact of the adoption of this amendment. None of the remaining standards and amendments to standards and interpretations that have been issued but are not yet effective are expected to significantly affect the Company's consolidated financial statements.

6. Leases

The Company's lease liabilities and right-of-use assets are:

Lease Liabilities	**Office Space and Warehouse (000's) $**	**Vehicles (000's) $**	**Total (000's) $**
Balance - December 31, 2019	570	302	872
Additions	107	368	475
Payments	(340)	(395)	(735)
Accretion expense	44	53	97
Change in estimate	(20)	-	(20)
Foreign exchange translation effect	(12)	(18)	(30)
Balance - December 31, 2020	**349**	**310**	**659**
Additions	128	251	379
Payments	(352)	(361)	(713)
Accretion expense	70	79	149
Foreign exchange translation effect	(2)	(25)	(27)
Balance – December 31, 2021	**193**	**254**	**447**
Less: current portion	(155)	(254)	(409)
Long-term portion	38	-	38

Right-of-Use Assets	**Office space and Warehouse (000's) $**	**Vehicles (000's) $**	**Total (000's) $**
Balance - December 31, 2019	**584**	**317**	**901**
Amortization	(289)	(362)	(651)
Change in Estimate	87	368	455
Balance - December 31, 2020	**382**	**323**	**705**
Additions	128	251	379
Amortization	(290)	(285)	(575)
Balance – December 31, 2021	**220**	**289**	**509**

7. Financial Instruments

		December 31, 2021 (000's)		December 31, 2020 (000's)
Financial assets at amortized cost				
Cash and cash equivalents	**$**	**24,176**	$	20,560
Short-term investments		**22**		22
Receivables		**236**		262
	$	**24,434**	$	20,844
Financial liabilities at amortized cost				
Accounts payable and accrued liabilities	**$**	**902**	$	976
Community project obligation		**8,849**		9,944
Other liabilities (Note 13)		**940**		1,313
	$	**10,691**	$	12,233

a) **Fair value**

As at December 31, 2021, the carrying values of all of the Company's financial assets and financial liabilities except for the community project obligation (Note 12), approximate their fair value.

b) **Management of financial risk**

The Company's financial instruments are exposed to certain financial risks, including currency, credit, liquidity, interest, and price.

i. Currency risk

The Company is exposed to financial risk due to changes in foreign exchange rates. The Company operates in Peru and Canada, and a portion of its expenses are incurred in Canadian dollars and Peruvian Soles. A significant change in the exchange rates between the Canadian dollar relative to the US dollar and the Peruvian Sol to the US dollar could affect the Company's results of operations, financial position, and cash flows. The Company has not hedged its exposure to currency fluctuations. At December 31, 2021, the Company was exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and Peruvian Soles.

	December 31, 2021	
	Canadian Dollars (000's)	**Peruvian Soles (000's)**
Cash and cash equivalents, and short-term investments	241	241
Receivables	-	211
Accounts payable and accrued liabilities	(251)	(37,598)
Net exposure	(10)	(37,146)

Based on the above net exposures as at December 31, 2021, 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 $1 (C$1) in the Company's loss for the year. A 10% depreciation of the US dollar against the Peruvian Sol would result in an increase of approximately $1 (S/. 3,376) in the Company's loss for the year. Conversely, a 10% appreciation of the US dollar relative to the Canadian dollar or Soles 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 and cash equivalents, short-term investments, and receivables.

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

iii. Liquidity risk

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

As at December 31, 2021, the Company's financial liabilities consist of accounts payable & accrued liabilities and the current portion of community projects liability and other liabilities totaling $1.96 million, which are expected to be paid over the next twelve months, and the long-term portion of other liabilities of $8.73 million, which are expected to be paid over the next five years. The Company also has a community projects obligation of Peruvian Sol 4 million for each of the next 18 years.

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. As at December 31, 2021, the Company had funds invested in interest earning savings accounts with Canadian institutions. A 1% increase or decrease in the interest rate during the year ended December 31, 2021, would have resulted in an increase or decrease of $0.23 million respectively, in the Company's net income during the year ended December 31, 2021.

c) **Management of capital**

The Company's capital management objectives are intended to safeguard the Company's ability to support the Company's development and exploration of its mineral properties and support any expansion plans.

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

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

There were no changes in approach to capital management during the year ended December 31, 2021.

8. Cash and Cash Equivalents

	December 31, 2021 (000's)	December 31, 2020 (000's)
Cash	**$ 700**	$ 702
Term deposits and other Investment accounts	**23,476**	19,858
	$ 24,176	$ 20,560

9. Restricted Cash

According to the Corani Mine Closure Plan approved on September 12, 2018, the Company must provide a closure guarantee. Consequently, every January 17 from 2019 to 2036, the Company provides an insurance deposit for the expected closure costs. On January 17, 2021 the Company posted an insurance policy for $3,858,790 with the Peruvian Ministry of Energy and Mines to cover the three-year cumulative mine closure guarantee.

The Company provided a certificate of deposit in the insurer's name for $964,698 in January 2021. On January 17, 2022, the Company increased the certificate of deposit to $1,303,632 to cover the four-year cumulative mine closure guarantee, which increased by $1,355,737 to $5,214,527 in 2022.

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 $200,000 upon acquiring the Corani Project.

10. Property and Equipment

	Exploration and Other Equipment (000's) $	Office Equipment (000's) $	Land (000's) $	Total (000') $
Balance - December 31, 2019	3,864	8	45	3,917
Additions	1,781	4	-	1,785
Amortization	(129)	(4)	-	(133)
Balance – December 31, 2020	**5,516**	**8**	**45**	**5,569**
Additions	1,506	-	-	1,506
Amortization	(133)	(2)	-	(135)
Balance – December 31, 2021	**6,889**	**6**	**45**	**6,940**

Additions to Property and Equipment during the year ended December 31, 2021, include $1.43 million for the Antapata substation construction which is not in use as at December 31, 2021, and $0.07 million for other exploration equipment.

11. Resource Property Costs

		Corani Project (000's)		Maria Jose Project (000's)		Total (000's)
Balance at December 31, 2019	$	88,641	$	951	$	89,592
Land acquisition costs		21		-		21
Balance at December 31, 2020	$	88,662	$	951	$	89,613
Land acquisition costs		26		-		26
Impairment of resource property		-		(951)		(951)
Balance at December 31, 2021	**$**	**88,688**	**$**	**-**	**$**	**88,688**

a) Corani Project

The Company has a 100% interest in the Corani Project located in the Department of Puno, Peru.

The exploration and evaluation expenses of this interest was as follows:

Corani Engineering and Evaluation Costs:	Years Ended December 31	
	2021 (000's)	2020 (000's)
Assaying and sampling	**-**	6
Community contributions	**1,216**	1,678
Detailed engineering	**5,198**	1,149
Environmental	**230**	120
Geophysics	**129**	-
Maintenance costs	**32**	33
Salaries and consulting	**4,689**	4,408
Camp, supplies, and logistics	**2,348**	1,528
Travel	**65**	48
Costs for the Year	**$ 13,907**	$ 8,970

b) Other Exploration and Evaluation Costs (Recoveries)

Other exploration and evaluation costs include value added taxes paid and 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.

During the year ended December 31, 2021, the company recognized an impairment loss of $0.95 million on its net smelter return royalty over the Maria Jose project. The project owner has not found economic mineralization and it's uncertain that future exploration will change this.

Total other exploration and evaluation costs incurred during the year ended December 31, 2021 were $0.6 million (2020 - $0.5million).

The Company expenses the value added tax it pays during the exploration and evaluation phase. During the year ended December 31, 2021, the total value added taxes paid were $1.7 million (2020 - $0.6 million).

12. 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. The Successive Payments of S/. 4 million per year were dependent on the Company receiving the permits to build the processing facilities and the mining installations. Such permits 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. The Company began development work in 2018 in accordance with the ESIA and the Framework Agreement.

As at December 31, 2021, the total undiscounted obligation remaining under the Framework Agreement was $18 million, while the sum of the remaining annual payment stream discounted at an estimated current rate of 10% is $8.20million.

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

	(000's)
Balance as of December 31, 2019	11,045
Payment	(1,126)
Accretion expense	979
Impact of foreign exchange	(954)
Balance as of December 31, 2020	9,944
Payment	(1,075)
Accretion expense	843
Impact of foreign exchange	(864)
Balance as of December 31, 2021	**8,848**
Less: current portion	(1,001)
Long-term portion as of December 31, 2021	**7,847**

13. 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 December 31, 2021.

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

		(000's)
Balance as of December 31, 2019	**$**	1,316
Payments		(32)
Revaluation of obligation		110
Impact of foreign exchange		(81)
Balance as of December 31, 2020	**$**	1,313
Payments		(34)
Revaluation of obligation		(224)
Impact of foreign exchange		(115)
Balance as of December 31, 2021	**$**	940
Less: current portion		(54)
Long-term portion as of December 31, 2021	**$**	886

The Company's estimated future payments are as follows:

		December 31, 2021 (000's)		December 31, 2020 (000's)
Within one year	**$**	**54**	$	61
After one year but not more than five years		**886**		1,252
	$	**940**	$	1,313

14. Capital

Authorized share capital

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

2021 Activity

In January 2021, the Company issued 11,500,000 common shares at CDN$3.00 per share for gross proceeds of CDN$34.5 million ($27.1 million). The underwriters who purchased the shares received a cash fee equal to 6% of the gross proceeds ($1.63 million). Additional costs of this financing included professional and filing fees of $0.24 million.

On May 10, 2021, the Company issued 333,818 common shares to its directors, officers, and employees upon vesting of one-third of the RSUs awarded on April 22, 2020.

2020 Activity

On February 6, 2020, the Company issued 7,905,000 common shares at a price of CDN$2.10 per share for gross proceeds of CDN$16.6 million ($12.52 million). The underwriters who purchased the shares received a cash fee equal to 6% of the gross proceeds. Additional costs of $0.14 million were also incurred in connection with the financing.

During the year ended December 31, 2020, a total of 1,305,250 incentive stock options were exercised for gross proceeds of $1.41 million (CDN$1.93 million). The average market price for the options exercised during the year ended December 31, 2020, was CDN$2.61.

Options Exercised	Exercise Price (CDN$)	Gross Proceeds (CDN$)	Gross Proceeds (USD$)
933,250	1.41	1,315,882	948,475
300,000	1.50	450,000	333,439
32,000	2.05	65,600	48,787
40,000	2.48	99,200	73,923
1,305,250	**1.48**	**$ 1,930,682**	**$ 1,404,624**

Share Purchase Options

The Company has established a share purchase option plan (the “Stock Option Plan”) and a long-term incentive plan (“LTIP”). Under the Stock Option Plan, the Board of Directors may, from time to time, grant options to directors, officers, employees, or consultants. Options granted must be exercised no later than ten years from the date of grant or such lesser period as determined by the Board of Directors. Under the Stock Option Plan, the exercise price of an option cannot be lower than the closing price on the TSX Venture Exchange on the trading date preceding the date of grant, less the maximum discount permitted under TSX policies applicable to share purchase options. The Board of Directors also sets vesting terms for each grant.

Pursuant to the LTIP, the Board of Directors may, from time to time, award Restricted Share Units or Deferred Share Units (“DSUs”) to directors, officers, employees, and, in the case of RSUs only, consultants. Under the LTIP the maximum number of shares the Company is entitled to issue from treasury for payments in respect of 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.

<u>Stock Options</u>

No new stock options were granted during the year ended December 31, 2021. During the year ended December 31, 2021, the Company recognized $0.26 million (2020 - $0.52 million) as share-based payments expense based on the graded vesting schedule of the previous year's stock option grants.

As at December 31, 2021, the Company had a total of 5,620,500 incentive stock options outstanding at a weighted average exercise price of CDN$2.07 per option. Of these, 4,470,500 options had vested as of December 31, 2021, and were available for exercise at a weighted average price of CDN$2.06 per option.

The changes in share options during the year ended December 31, 2021, and the year ended December 31, 2020, were as follows:

	December 31, 2021		December 31, 2020	
	Number of options	**Weighted average exercise price (in CDN$)**	Number of options	Weighted average exercise price (in CDN$)
Outstanding, beginning of the year	6,512,500	2.13	7,831,750	2.02
Exercised	-	-	(1,305,250)	1.48
Cancelled	(12,000)	2.73	-	-
Expired	(880,000)	2.48	(14,000)	1.41
Outstanding, end of the year	**5,620,500**	**2.07**	**6,512,500**	**2.13**

A summary of the Company's stock options outstanding as at December 31, 2021 is as follows:

Options Outstanding	**Options Exercisable**	**Price per Share**	**Remaining contractual life (years)**	**Expiry Date**
1,020,500	1,020,500	CDN$2.73	0.13	February 16, 2022
1,000,000	500,000	CDN$2.25	5.76	October 3, 2027
745,000	745,000	CDN$2.05	6.16	February 26, 2028
650,000	325,000	CDN$2.05	6.17	March 2, 2028
400,000	200,000	CDN$2.24	6.21	March 16, 2028
150,000	150,000	CDN$1.92	6.45	June 12, 2028
1,505,000	1,380,000	CDN$1.50	7.09	February 1, 2029
75,000	75,000	CDN$1.41	7.18	March 6, 2029
75,000	75,000	CDN$2.58	7.85	November 6, 2029
5,620,500	**4,470,500**		**5.29**	

Deferred Share Units ("DSU's")

On April 26, 2021, the Company granted 1,000,000 DSUs to the directors and officers of the Company. The DSU's granted to the holders are to be held in a deferred share unit account until they become payable to the DSU holder on their DSU termination date. The DSU termination date occurs upon a change of control or when the DSU holder ceases to be a DSU holder for any reason other than involuntary termination with cause or involuntary removal as a director of the Company. The fair value of each DSUs was estimated using CAD $1.84 as the stock price of the Company's common shares on the date of the grant. The Company recognized a total of $1.60 million as share-based payments expense for the award of the DSUs during the year ended December 31, 2021 (2020 - Nil).

Restricted Share Units

On May 10, 2021, the Company issued 333,818 common shares to its directors, officers, and employees upon vesting of one-third of the RSUs granted on April 22, 2020. During the year ended December 31, 2021, the Company recognized $0.54 million (2020 - $0.61 million) as share-based payments expense based on the graded vesting schedule of the RSUs.

As at December 31, 2021, the Company had a total of 616,667 incentive RSU's outstanding at a weighted average fair value of CDN$1.22 per RSU (Grant date weighted average fair value - CDN$2.05 per RSU).

The changes in RSU's during the year ended December 31, 2021, and the year ended December 31, 2020, were as follows:

	December 31, 2021	December 31, 2020
	Number of RSU's	Number of RSU's
Outstanding, beginning of the year	1,000,000-	-
Vested	(383,333)	-
Granted	-	1,000,000
Outstanding, end of the year	**616,667**	**1,000,000**

As at December 31, 2021, and December 31, 2020, the following stock options, RSUs and DSUs were under grant and available for issuance:

	December 31, 2021	December 31, 2020
Issued and outstanding shares	**124,273,132**	112,439,314
Options allowed	**12,427,313**	11,243,931
RSU & DSU limit	**5,000,000**	5,000,000
Options granted	**5,620,500**	6,512,500
RSUs granted	**1,000,000**	1,000,000
RSU's outstanding	**616,667**	1,000,000
DSU's granted	**1,000,000**	Nil
DSU's Outstanding	**1,000,000**	Nil
RSU's & DSU's available	**3,000,000**	4,000,000
Options available for issuance[1]	**4,806,813**	3,731,431
RSU's & DSU's available for issuance	**3,000,000**	3,731,431

1. A maximum of 3 million of the 4.8 million shares available for issuance as at December 31, 2021 are available for issuance as RSUs or DSUs.

15. 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) were as follows:

	Note		**Years Ended December 31**		
			2021 (000's)		2020 (000's)
Salaries and directors' fees	(i)	**$**	**1,934**	$	1,760
Share-based compensation	(ii)		**2,203**		1,096
		$	**4,137**	$	2,856

(i) Key management personnel were not paid post-employment benefits or other long-term benefits.
(ii) Share-based compensation represents the non-cash expense, translated at the grant date foreign exchange rate.

Any amounts that might be owed at any time to key management personnel would be unsecured, non-interest bearing, and due on demand. As at December 31, 2021, $nil (December 31, 2020 - $nil) was due to key management personnel for unpaid salaries or director fees.

16. Professional Fees

		December 31, 2021 (000's)		December 31, 2020 (000's)
Accounting and audit fees	**$**	**212**	$	204
Legal fees		**37**		55
Project finance costs[1]		**566**		1,106
Transaction costs[2]		**921**		-
	$	**1,736**	$	1,365

1. These costs represent expenditure incurred by the Company for debt financing-related activities.
2. On December 17, 2021, the Company entered into an agreement with Equinox Gold Corp. to acquire a 100% interest in the Mercedes gold-silver mine ("Mercedes") located in Sonora, Mexico. These costs represent the expenditure incurred on the due diligence and other transaction acquisition related costs as of December 31, 2021.

17. Segmented Information

The Company's business consists of a single reportable segment -- mineral exploration and development. Details on a geographic basis are as follows:

Total Assets		**December 31, 2021 (000's)**		December 31, 2020 (000's)
Peru	**$**	**98,311**	$	102,584
Canada		**23,609**		15,378
	$	**121,920**	$	117,962

Net Loss		**December 31, 2021 (000's)**		December 31, 2020 (000's)
Peru	**$**	**15,239**	$	8,932
Canada		**6,611**		3,592
	$	**21,850**	$	12,524

18. Income Taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes.

These differences result from the following items:

	Year ended December 31, 2021 (000's)	Year ended December 31, 2020 (000's)
Loss before income taxes	**$ (21,850)**	$ (12,524)
Canadian federal and provincial income tax rates	**27.0%**	27.0%
Income tax recovery based on the above rates	**(5,900)**	(3,381)
Non-deductible items (net)	**1,464**	1,562
Effect of change in Canadian and foreign tax rates	**(398)**	(212)
Impact of deferred tax assets not recognized	**4,549**	1,744
Foreign exchange and other	**285**	287
Total income tax expense	**$ -**	$ -

The components of the Company's unrecognized deferred income taxes are as follows:

	December 31, 2021 (000's)	December 31, 2020 (000's)
Deferred income tax assets:		
Non-capital losses	**$ 9,861**	$ 9,157
Share issue costs and other	**5,274**	4,754
Property plant and equipment	**10,560**	7,525
Resource properties costs	**17,882**	17,592
Total deferred tax assets	**$ 43,577**	$ 39,028
Deferred income tax liabilities	**Nil**	Nil

In assessing the recoverability of deferred tax assets other than deferred tax assets resulting from the initial recognition of assets and liabilities that do not affect accounting or taxable profit, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences become deductible. The Company has not recognized deferred income tax assets for any temporary differences as their utilization is not considered probable at this time.

Deductible temporary differences, unused tax losses, and unused tax credits:

	December 31, 2021 (000's)	December 31, 2020 (000's)	Expiry date range
Non-capital losses	36,087	33,391	See below
Share issue costs and other	18,052	16,177	Not applicable
Property plant and equipment	35,817	25,529	Not applicable
Resource properties	60,690	59,704	Not applicable

As at December 31, 2021, the Company has non-capital losses available for carry forward of $36.1 million, which may be applied to reduce future year's taxable income.

These unrecognized loss carry-forwards are in respect of Canadian and Peruvian operations and expire as follows:

	Canada (CAD – 000's)	Peru (Soles – 000's)	Canada (USD - 000's)	Peru (USD - 000's)
2027	2,289	-	1,806	-
2028	1,871	-	1,476	-
2029	2,446	-	1,929	-
2030	4,146	-	3,270	-
2031	2,913	-	2,297	-
2032	7,395	-	5,833	-
2033	4,162	-	3,283	-
2034	1,063	-	838	-
2035	-	-	-	-
2036	970	-	765	-
2037	44	-	35	-
2038	1,849	-	1,459	-
2039	2,109	-	1,664	-
2040	3,938	-	3,106	-
2041	4,606	-	3634	-
Indefinite	-	18,725	-	4,692
	39,801	18,725	31,395	4,692

19. Subsequent Events

On April 21, 2022 ("Closing Date"), the Company completed the acquisition of Mercedes Mine from Equinox (Note 1). As part of this transaction the Company paid the cash consideration of $75 million, including $60 million provided by Sandstorm, and issued 24,730,000 Bear Creek common shares to Equinox. The Company is obligated to make a deferred cash payment of $25 million during the fourth quarter of 2022 and pay 2% Net Smelter Return on the metal produced from the Mercedes concessions to Equinox.

The $60 million cash consideration, provided by Sandstorm consists of a $37.5 million Gold Purchase Agreement and a $22.5 million Convertible Debenture

As per the terms of the Gold Purchase Agreement, Sandstorm provided the Company with $37.5 million in cash on the Closing Date and in exchange Bear Creek will 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 spot gold price at the time of delivery. Thereafter, the Company will sell to Sandstorm 4.4% of gold produced by Mercedes at a price equal to 25% of the spot price at the time of delivery.

As per the terms of the Convertible Debenture, Sandstorm provided the Company with $22.5 million in cash on the Closing Date and in exchange subscribed to a Convertible Debenture. The Convertible Debenture matures on its third anniversary, bears a 6% coupon, and allows the holder to convert the Principal, in whole or in part, into common shares of the Company at any time before maturity at the greater of a 35% premium to the closing price per common share of the Company on the closing date of the acquisition or as otherwise permitted by the TSX-V.

A total of 1,020,500 stock options expired without being exercised on February 26, 2022.

On April 22, 2022, the Company filed a Technical Report (as defined in National Instrument 43-101) for the Company's recently acquired Mercedes gold-silver mine located in Sonora, Mexico. The Technical Report dated April 22, 2022 and entitled "NI 43-101 Technical Report, Mercedes Gold-Silver Mine, Sonora, Mexico, provides an independent audit of the Mineral Reserves and Mineral Resources identified at Mercedes as of December 31, 2021 and was prepared on behalf of the Company by BBA Engineering Inc. and G Mining Services Inc.