

**BEAR CREEK MINING CORPORATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

***Introduction***

The following Management's Discussion and Analysis ("MD&A") of Bear Creek Mining Corporation (the "Company" or "Bear Creek") was prepared on May 19, 2015 and should be read in conjunction with the interim condensed consolidated financial statements of the Company for the period ended March 31, 2015 and the audited consolidated financial statements of the Company for the year ended December 31, 2014. All dollar amounts are expressed in United States dollars unless otherwise noted. Additional information relating to the Company, including the Company's annual information form, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

Bear Creek's business is the acquisition, exploration and development of precious and base metal properties located in Peru. In addition to its ongoing exploration activities, the Company is advancing its 100%-owned Corani silver-lead-zinc project towards development and seeking to resolve the legal issues regarding the Santa Ana silver project in order to place the project back on the development path. Bear Creek has no revenues from its mineral properties.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations.

Except where otherwise indicated, Bear Creek's exploration programs and pertinent disclosure of a technical or scientific nature are prepared by or prepared under the direct supervision of Andrew Swarthout, P.Geol., CEO, and Christian Rios, Consultant to the Company and former VP of Exploration, who serve as the Qualified Persons under the definitions of National Instrument 43-101 ("NI 43-101").

***Table of Contents***

- 1) Forward-Looking Information
- 2) Current Highlights
- 3) Development Projects
  - 3.1) Corani Silver-Lead-Zinc Project
  - 3.2) Santa Ana Silver Project
- 4) Exploration Projects
  - 4.1) Maria Jose Prospect
  - 4.2) La Yegua Copper-Gold-Molybdenum Prospect
  - 4.3) Sumi Gold Prospect
  - 4.4) Generative Exploration
- 5) Results of Operations
- 6) Liquidity and Capital Resources
- 7) Related Party Transactions
- 8) Key Accounting Estimates and Judgments
- 9) Financial Instruments
- 10) Disclosure Controls and Procedures

## **1) Forward-Looking Information**

This document contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. This information and these statements, referred to herein as "forward-looking statements" are made as of the date of this MD&A or as of the date of the effective date of information described in this MD&A, as applicable. Forward-looking statements relate to future events or future performance and reflect current estimates, predictions, expectations or beliefs regarding future events and include, without limitation, statements with respect to: (i) the amount of mineral reserves and mineral resources; (ii) the amount of future production over any period; (iii) net present value and internal rates of return of the proposed mining operation; (iv) capital costs, including start-up, sustaining capital and reclamation/closure costs; (v) operating costs, including credits from the sale of silver, lead and zinc; (vi) strip ratios and mining rates; (vii) expected grades and payable ounces and pounds of metals and minerals; (viii) expected processing recoveries; (ix) expected time frames; (x) prices of metals and minerals; (xi) mine life; (xii) expected exploration and development programs and their timing and success; (xiii) expected taxation rates and structure; (xiv) expected mineralization; (xv) adequacy of cash balances; and (xvi) resolution of disputes with the Peruvian Government. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "optimistic", "expects", "anticipates", "plans", "projects", "estimates", "envisages", "assumes", "intends", "strategy", "goals", "objectives" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

All forward-looking statements are based on the Company's or its consultants' current beliefs as well as various assumptions made by and information currently available to them. These assumptions include, without limitation: (i) the presence of and continuity of metals at the project at modeled grades; (ii) the capacities of various machinery and equipment; (iii) the availability of personnel, machinery and equipment at estimated prices; (iv) exchange rates; (v) metals and minerals sales prices; (vi) appropriate discount rates; (vii) tax rates and royalty rates applicable to the proposed mining operation; (viii) the availability of financing and expected terms; (ix) financing structure and costs; (x) anticipated mining losses and dilution; (xi) metals recovery rates, (xii) reasonable contingency requirements; and (xiii) receipt of regulatory approvals on acceptable terms. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Many forward-looking statements are made assuming the correctness of other forward looking statements, such as statements of net present value and internal rate of return, which are based on most of the other forward-looking statements and assumptions herein. The cost information is also prepared using current values, but the time for incurring the costs will be in the future and it is assumed costs will remain stable over the relevant period.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that estimates, forecasts, projections and other forward-looking statements will not be achieved or that assumptions do not reflect future experience. We caution readers not to place undue reliance on these forward-looking statements as a number of important factors could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates assumptions and intentions expressed in such forward-looking statements. These risk factors may be generally stated as the risk that the assumptions and estimates expressed above do not occur, but specifically

include, without limitation, risks related to exploration and development programs and their timing and success; risks relating to variations in the mineral content within the material identified as mineral reserves and mineral resources from that predicted; variations in rates of recovery and extraction; developments in world metals and minerals markets; risks relating to fluctuations in the Canadian dollar relative to other currencies; increases in the estimated capital and operating costs or unanticipated costs; difficulties attracting the necessary work force; increases in financing costs or adverse changes to the terms of available financing, if any; tax rates or royalties being greater than assumed; changes in development or mining plans due to changes in logistical, technical or other factors, changes in project parameters as plans continue to be refined; risks relating to receipt of regulatory approvals; the effects of competition in the markets in which the Company operates; operational and infrastructure risks; and the additional risks described in the Company's annual information form, annual financial statements and management's discussion and analysis for the period ended March 31, 2015 and in the feasibility study dated December 22, 2011 for the Corani project filed on the SEDAR website (available at [www.sedar.com](http://www.sedar.com)). The foregoing list of factors that may affect future results is not exhaustive.

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

## 2) Current Highlights

On February 19, 2015, the Company provided an update on its Feasibility Study ("FS") for the Corani project, Santa Ana arbitration status and the Maria Jose Project as described below:

**Corani Project** - The updated FS will establish an optimized reserve focusing on return on investment utilizing current metal price expectations. The updated FS will incorporate:

- Testing has established that dry-stacking of the tailings is feasible, entirely eliminating the need for a conventional tailings dam. Sustaining CapEx will significantly decrease as tailings dam lifts will be eliminated. As a result of now utilizing tailings filtration, OpEx is expected to remain constant or slightly increase.
- As a result of eliminating the tailings dam, the "South fresh water" dam and storage facility are no longer required.
- Back filling of the pit with tailings beginning in approximately Year 5 will further reduce OpEx.
- Re-sizing of the crusher and SAG mill is expected to reduce CapEx while maintaining the through-put capacity at 22,500 tpd
- Project layouts, specifically waste dump and concentrator locations, have been modified to provide for shorter haulage distances. The new project layout is within the surface rights already purchased by the Company.
- Additional analysis of the metallurgical test work will facilitate planning the mine sequencing so that the best metallurgical performing ore is mined first with stockpiling of lower-recovery material for future processing. As a result, it is anticipated that metallurgical recoveries will exceed those forecasted in the 2011 FS.

The design and operating improvements are expected to require only a modification of the existing approved Environmental and Social Impact Assessment without public hearings as the enhancements are located within the previously approved project footprint. In addition, the modifications improve the final permitting timelines and mine

closure processes primarily through the elimination of the tailings dam and the introduction of dry stacking of tailings followed by in-pit tailings disposal; practices that have been successfully implemented in similar mines in Peru.

**Santa Ana Project** – on January 12, 2015, the Company participated in the first procedural meeting called by the ICSID arbitration tribunal, which addressed an agenda comprised of largely procedural matters. Following the first procedural meeting, the ICSID tribunal issued Procedural Order No. 1 on January 27, 2015, addressing the procedural issues discussed during the meeting. Set forth below is a summary of the tribunal's material decisions in P.O. No. 1:

- Bear Creek will submit its legal, memorial on the merits, witness statements, expert witness statements and supporting documentation by May 29, 2015;
- The Government of Peru will have 130 days to prepare a counter-memorial and introduce jurisdictional objections, if any;
- Bear Creek will have 94 days to submit its reply on the merits and counter-memorial on jurisdiction, if any;
- The Government of Peru will have 94 days to submit its rejoinder on the merits and reply on jurisdiction, if any;
- Bear Creek will have 45 days to submit its rejoinder on jurisdiction, if any;
- A process for non-disputing party submissions (*amicus* submissions), if any, is scheduled for the period June 9, 2016 – July 21, 2016; and
- The final hearings before the ICSID arbitration tribunal will take place in Washington D.C. on September 8 - 14, 2016, with three days held in reserve in case more hearing time is needed.

The Company is preparing its case for international arbitration beginning with the submission of its memorial on the merits on May 29 2015, and is seeking full reparation for, among other things, the Peruvian Government's expropriation of Santa Ana as well as resulting damages to the Corani project. Irrespective of the foregoing, the Company remains open to seeking to achieve an amicable settlement of this dispute with the Peruvian Government and is willing to re-engage in settlement discussions which ceased in August 2014.

**Maria Jose Project** – As previously reported, BCM decided to seek an appropriate partner to advance this highly prospective district in order to preserve the Company's cash. The Company is now pleased to report that an earn-in agreement has been completed with a private Peruvian gold producer to explore and develop this gold-quartz vein system. The Company has signed a definitive joint venture agreement with Analytica Mineral Services S.A.C. ("AMS"); a proven Peruvian tunneling contractor and gold producer. AMS will complete 2,000 meters of tunneling and cross-cuts in the vein systems within one year, at its sole cost, in order to earn a 51% undivided interest in the mineral concessions. AMS will also make its pro-rata share of the underlying option agreement payments totaling \$115,000 in 2015 and \$2.1M over the term of the 5-year option. Following AMS earning its 51% interest, the two parties will form a joint venture agreement with standard terms. AMS is currently acquiring the required permits and is expected to commence tunnel work in the second quarter of 2015.

### 3) Development Projects

#### **3.1) Corani Silver-Lead-Zinc Project**

The 100%-owned Corani silver-lead-zinc project ("Corani") is located in the Andes Mountains approximately 160 kilometers southeast of Cusco, Peru at elevations from 4,800 to 5,100 meters above sea level. The project consists of twelve mineral concessions that form a contiguous block of ground covering approximately 5,700 hectares.

##### *Current Developments at Corani*

During the three months ended March 31, 2015, the Company incurred expenses of \$2.0 million on the Corani project. Included in this total are engineering costs of \$0.8 million; camp, supplies and logistics of \$0.6 million; community contribution activities totaling \$0.2 million; and salaries and consulting of \$0.4 million.

The Company had \$77.2 million of capitalized acquisition costs related to the Corani project as of March 31, 2015 (December 31, 2014 \$77.2 million).

The Company has budgeted total expenditures for the Corani project of \$6.5 million for 2015, which includes surface rights acquisitions and community contributions, feasibility study and camp costs.

As stated previously, the 2011 Feasibility Study will be superseded by an Optimized Engineering Study and 43-101 report in the second quarter of 2015.

A Feasibility Study (the "FS" or "Feasibility Study"), as defined by NI 43 - 101, was prepared for Corani on December 22, 2011. Details of the Feasibility Study are summarized below. The Company undertook internal studies evaluating lower initial start-up throughput capacities with future expansion capabilities in order to reduce CapEx requirements. The analysis concluded that lower throughput rates did not generate sufficient CapEx reductions and that the project's optimum financial performance is appropriately established by the Feasibility Study throughput rate of 22,500 tpd.

##### *Feasibility Study Summary*

- The FS defined a significant undeveloped silver deposit containing proven and probable mineral reserves of 270 million ounces of silver, 3.1 billion pounds of lead and 1.7 billion pounds of zinc.
- The base case after-tax NPV was estimated at \$463 million at a 5% discount rate with an after-tax IRR of 17.6% (\$18/oz silver, \$0.85/lb lead and \$0.85/lb zinc). On a pre-tax basis, the base case NPV at a 5% discount rate was \$907 million with an IRR of 29.7%.
- Average annual payable silver production was estimated at 13.4 million ounces per year for the first five years and 8 million ounces per year over the life-of-mine ("LOM"). On a silver equivalent ounce basis, average annual payable production was estimated at 23.0 million ounces per year for the first five years and 14.7 million ounces per year over the LOM.
- Cash cost was estimated at a negative \$(0.45) per ounce of silver for the first five years, with a LOM cash cost of \$3.66 per ounce of silver (net of base metal credits at \$0.85/lb lead and \$0.85/lb zinc).

- The mine will produce marketable lead and zinc concentrates. Metallurgical testing has established conventional flotation recoveries.
- Initial capital cost was estimated at \$574 million with capital payback of 3.8 years at base case metal prices, and 2.0 years at metal prices on November 8, 2011.
- Mine life was expected to be 20 years.
- Mill capacity is expected to be 22,500 tonnes per day.
- Stripping ratio is expected to be 1.69:1 (waste:ore).
- 89 million of measured and indicated silver resource ounces represent potential future reserve conversion.

The reserve and resource estimates were updated in the FS by Independent Mining Consultants ("IMC"), Tucson, Arizona. M3 Engineering of Tucson, Arizona led the FS with support from Blue Coast Metallurgy and Global Resource Engineering ("GRE") for tailings and geotechnical engineering. All are independent engineering and metallurgical testing firms with recent project development experience in Peru.

The FS is based upon assumptions derived from mine planning sequences completed by IMC and metallurgical test work performed by SGS Laboratories in Vancouver, BC and reviewed by Blue Coast Metallurgy. The mining sequence primarily derives ore from the higher-grade starter pits in the early years and moves to lower-grade areas in the later years of production. Operations are for 20 years based on current reserves. Only measured and indicated resources were used to establish the operations plan when converting resources to reserves.

In the mine sequence, only 270 million ounces contained within 156 million tonnes have been used as reserves in this plan. An additional 134 million tonnes of measured and indicated resource (containing an estimated 88.7 million ounces of silver at 20.5 g/t) and 49.8 million tonnes of inferred resource (containing an estimated 48.0 million ounces of silver at 30 g/t) remain that could be included in later plans of operations. About 89% of these resources are mixed sulfide and transition material peripheral to the reserve pit. About 11% are contained within oxide mineralization, which outcrops at surface.

<b>Key Assumptions for the Corani Project – Base Case</b>	
Annual ore production – years 1 to end of life (tonnes)	7,875,000
Overall process recovery – silver – into both lead and zinc cons	64.2%
Overall process recovery – lead – into lead cons	71.1%
Overall process recovery – zinc – into zinc cons	51.6%
Total processed tonnes	156,130,000
Average silver grade (g/t)	53.8 g/t
Average lead grade (%)	0.90%
Average zinc grade (%)	0.49%
Payable ounces of silver net of smelter payment terms (total)	160.2 million
Payable pounds of lead net of smelter payment terms (total)	2.1 billion
Payable pounds of zinc net of smelter payment terms (total)	745 million
Overall stripping ratio	1.69 to 1
Life-of-mine (mining only) years	18
Life-of-mine (processing) years	20

Reserves are based on metal prices of \$18.00/oz silver and \$0.85 per pound for both lead and zinc. For the resources, metal prices of \$30.00/oz for silver and \$1.00/lb for both lead and zinc were used, representing the three-year backward and two-year forward metal prices weighted 60:40 from August 2011 which is consistent with the Company's policy and industry standards.

The Feasibility Study recommends proceeding with project development based on:

- Robust economics at the base case assumptions with excellent exposure to up-side silver and base metals prices;
- Well-defined resources open to expansion and conversion to reserves;
- A solid metallurgical process producing highly marketable, separate lead and zinc concentrates;
- Favorable infrastructure for tailings storage, power and access,
- Available local water supply;
- Well-defined permitting process; and
- Local community acceptance and support.

### Project Economics

Sensitivities to various parameters are summarized below for the after-tax case:

Case	IRR	NPV @ 5%	NPV @ 0%
Base Case	17.6%	\$463 M	\$947 M
Recovery +10%	20.7%	\$604 M	\$1,176 M
Recovery -10%	14.2%	\$319 M	\$710 M
Metal Price +10%	21.7%	\$658 M	\$1,268 M
Metal Price -10%	12.9%	\$261 M	\$610 M
Initial Capital Cost +10%	15.6%	\$424 M	\$912 M
Initial Capital Cost -10%	20.0%	\$502 M	\$981 M
Operating Cost +10%	16.1%	\$386 M	\$809 M
Operating Cost -10%	19.0%	\$537 M	\$1,077 M
Metal Prices November 8, 2011	37.7%	\$1,497 M	\$2,617 M

Note: Base case prices are \$18.00/oz Silver, \$0.85/lb Lead, \$0.85/lb Zinc; Spot prices are from November 8, 2011 and were \$34.64/oz Ag, \$0.90/lb Pb and \$0.89/lb Zn.

The financial analysis prepared for the FS utilizes the tax regime enacted by the Peruvian Government at the time the FS was released. For the base case assumptions, the project is expected to generate \$636 million of income related taxes (including mandatory workers profit sharing).

### Reserve and Resource Estimate (December 22, 2011)

Mineral Reserves, \$10.54 NSR cut-off									
Category	Ktonnes	Contained Metal			Equivalent Ounces				
		Silver	Lead	Zinc	Eq. Silver	Eq. Silver			
		G/t	%	%	Million Ozs	Million G/t			
Proven	30,083	66.6	1.04	0.60	64.4	690.4	399.9	115.7	119.6
Probable	126,047	50.7	0.87	0.47	205.6	2,422.6	1,297.7	381.5	94.1
Proven + Probable	156,130	53.8	0.90	0.49	270.0	3,113.0	1,697.6	497.2	99.1

Mineral Resources in Addition to Reserves, \$9.20 NSR cut-off									
Category	Ktonnes	Silver G/t	Lead %	Zinc %	Contained Metal			Equivalent Ounces	
					Silver Million Ozs	Lead Million Lbs	Zinc Million Lbs	Eq. Silver Million Ozs	Eq. Silver G/t
Measured	10,878	17.5	0.38	0.33	6.1	91.1	79.1	13.9	39.6
Indicated	123,583	20.8	0.38	0.29	82.6	1,035.3	790.1	166.7	42.0
Measured + Indicated	134,461	20.5	0.38	0.29	88.7	1,126.4	869.2	180.6	41.8
Inferred	49,793	30.0	0.46	0.28	48.0	509.4	305.2	86.2	53.9

Note: See regulatory footnotes at end of this section for calculation methods used for the reserve and resource and the silver equivalency calculation.

The FS incorporates an updated resource estimation and mine design performed in October 2011 by IMC based upon 93,577 meters of drilling and sampling in 544 diamond drill holes and trenches completed through May of 2009. The Company employs a Net Smelter Return ("NSR") method to determine ore and waste, with the cutoff NSR being \$10.54 per tonne. Measured and indicated resources contained within the Feasibility Study design pit were used to determine final pit limits and thus converted into proven and probable reserves, respectively. The additional resource material is mostly measured and indicated resource that occurs outside of the Feasibility Study pit but which meets the CIM definition of mineral resource.

#### *Metallurgical Testing*

The Company has completed two phases of metallurgical optimization tests in order to define recoveries for the purposes of the FS reserve calculation. The results show that the Corani ore body can be divided into two types of ore; mixed sulfide and transitional ores. The mixed sulfide ore, which constitutes 84% of the mill feed, is a conventional polymetallic ore that uses standard processing methods and produces good quality concentrates. The remaining mill feed (16%) is transitional ore which is also treated using standard flotation but has a reduction in recovery rates of approximately 5% for silver and 15% for lead. The transitional ore also produces a lower grade concentrate; however, as it only constitutes 16% of the mill feed tonnes, the FS plan effectively blends the transitional ore to produce overall high quality concentrates.

#### *Variance from PFS*

The FS more accurately determines the recoveries into the zinc concentrate based upon final metallurgical test work. The recovery of zinc and silver varies with the feed grade of the ore, therefore reducing the recovered zinc and silver at lower zinc head grades (0.3% to 0.7% Zn) from those predicted in the PFS. Importantly, the lead portion of the recovery circuit and the recovery of silver in the lead circuit, where the best silver in concentrate commercial terms are obtained, is not affected by the reduced silver recoveries into the zinc concentrate. The Company believes that improved performance of the zinc circuit and continued improvement of silver recoveries into the lead concentrate at lower zinc feed grades represent opportunities during commercial operation.

### *Average Recoveries and Concentrate Grades of the Life of the Project*

Average Recovery And Con Grades LOM				
	Lead Con		Zinc Con	
	Pb	Ag	Zn	Ag
Recovery	71.70%	60.30%	51.60%	3.90%
Average Concentrate Grades	56.60%	2.9 kg/t	53.00%	437 g/t

### *Mining and Milling*

Mining will be performed using conventional open pit methods using 135 tonne trucks and a mixture of hydraulic excavators and wheel loaders mining on eight meter high benches. The mine requires minimal pre-production waste stripping of 16.2 million tonnes.

Processing of the ore will be by conventional flotation recovery methods. The ore will be crushed close to the mine and the material conveyed to the processing plant which will be approximately 500 meters from the mine. The ore will be ground to 80% passing 90 microns in a SAG/Ball mill circuit. The material will then be floated with the rougher concentrates being reground to 80% passing 30 microns prior to cleaning to produce high-value separate lead-silver and zinc concentrates. Concentrates will be trucked to the port of Matarani for ocean shipment to smelters.

### *Capital Costs*

The project capital cost estimate has been prepared by three independent engineering companies. The mining costs were prepared by Independent Mining Consultants of Tucson, Arizona, the process and portions of the infrastructure capital cost have been prepared by M3 Engineering of Tucson, Arizona and the Tailings Storage Facility (the "TSF") and remaining infrastructure costs have been prepared by Global Resource Engineering (the "GRE"). The initial startup capital is estimated to be \$574 million and the sustaining capital cost is estimated to be \$7.2 million annually over the life of mine. The capital costs include detailed long-term plans for tailing dam expansions as well as ongoing capital (i.e. mine fleet replacement) and mine closure.

### *Operating Costs*

Mining costs were prepared on a year by year basis with costs varying mostly due to changing haulage distances. The estimated life-of-mine average mining costs will be \$1.42 per tonne of total waste and ore mined. The process costs are estimated to be \$8.44 per tonne of processed ore and the G&A is estimated to be \$1.40 per tonne of processed ore or \$11 million per year.

### *Infrastructure*

The project has favorable infrastructure. Access will be via a new 63 km road to be built over flat topography resulting in low construction costs. The new road will connect to the Interoceanic Highway; a two-lane, paved highway connecting to the port of Matarani. The mine is 30 km from a new high-voltage power line with abundant capacity to meet the project needs. The project has an excellent low environmental impact site for tailings storage resulting in very low capital and operating costs, as the plant will be located immediately adjacent to the mine and

the tailings will be pumped to the Tailings Storage Facility (“TSF”). The site is also located in the upper part of drainages with ample surface water supply and as such there are several surface and underground water source alternatives. The FS provides for the construction of a small water storage dam and water capture in the TSF. As stated previously, the current optimized engineering study gives to the project the alternative to an in-pit tailings deposition combined with dry-stacking filtered tailings at start-up, either eliminating the tailings dam requirement entirely, reducing the footprint.

### *Social and Environmental*

The Company believes it has maintained good working relationships with the local communities and has continued to operate development activities at Corani without interruption. One of the areas of primary focus for the coming year will be to build on the positive relations with the local communities as the project is advanced. The Company owns the majority of the surface rights in the area of the mine and plant and is continuing to negotiate the access rights for the ancillary facilities.

Importantly, the Company has completed a Life of Mine Investment Agreement (“LOM”) in June 2013. This agreement was entered into with the District of Carabaya, five surrounding communities, and relevant, ancillary organizations specifying investment commitments over the 23 year project life, including the pre-production period. Under the agreement, annual payments are to be made into a trust designed to fund community projects totaling 4 million nuevos soles per year (approximately \$1.6 million per year), beginning with the first installments payable in 2013. Payments will remain constant throughout the pre-development phase and during production. Cessation or interruptions of operations will cause a pro-rata decrease in the annual disbursements. As an integral part of the LOM agreement, a trust or foundation structure is established for approval of investments and disbursement of funds. Each of the five communities (Corani (Aconsaya), Chacaconiza, Quelcaya, Isivilla, and Aymaña) has agreed to the formation of committees which will consider and approve investment projects for the benefit of the communities, such as schools, medical facilities, roads, or other infrastructure. The amounts of the total annual investment to be directed towards each community is agreed to and defined in the agreement. Bear Creek is an oversight member of the trust and will assist towards the success of the projects; however, the Company will have no voting powers. In this structure, Bear Creek’s intent is to appoint independent members with community social responsibility experience and credibility in order to provide oversight of the foundation’s functions in meeting its commitments to the communities and all of its members. To date, the Company has paid the 2013 community contributions of four million nuevos soles.

The Company has assisted the communities in forming independent cooperatives for their alpaca breeding and wool fiber businesses. Bear Creek is proud of the results which are now generating significantly improved fiber quality and the region was recently recognized as a producer of the finest wools and weaving products in Peru. In addition, the Company has helped the cooperatives to establish direct marketing contacts with Europe, eliminating the historical middle man transactions and increasing the value of their sales by as much as 400%.

The project is designed to meet and, in many ways exceed, international standards of environmental compliance. The TSF has been designed by GRE to the highest standards of containment and stability. Importantly, the latest design technology will facilitate the permitting process. In the TSF, the Feasibility Study calls for the operation of a sulfide flotation plant that will capture and segregate the sulfide material in the central part of the TSF. This will result in the sulfide material never being exposed to the atmosphere during operations and following mine closure. In the case that the dry stacking tails alternative, currently in evaluation, is

approved the sulfide flotation plant will be replaced with a sequential dry stacking tails plan, followed by a site design inert waste rock plan, to seal the tails. These technologies provide assurance that the TSF will not produce acid rock drainage, thus facilitating final closure of the TSF. Furthermore, the waste rock storage facilities are designed to capture and manage any flows that may originate from the waste rock. A buffer layer of inert rock will be placed on the outside of the waste rock piles to mitigate the acid producing potential of the facilities. Additionally, the plan calls for partial backfilling of the mining pits so that long-term pit lakes will not form at closure. Finally, the closure plan provides for the covering of the tailing storage and waste rock facilities assuring safe and environmentally compliant closure of the mine.

### *Opportunities*

The FS defines significant resources (134 million tonnes of measured and indicated containing 88.7 million ounces averaging 20.5 g/t Ag and 49.8 million tonnes of inferred resources containing 48 million ounces of silver averaging 30.0 g/t Ag) that are not included in the current mine plan. Depending upon future silver prices, these resources may be converted into reserves and incorporated into the mine plan. Additionally, opportunities exist to discover new mineralization by continuing district exploration. Previous engineering and condemnation drilling has intercepted mineralization up to five kilometers from the current ore body in previously unexplored areas (see news release dated October 11, 2011).

### *Opportunities in Detailed Engineering*

The Company commenced further optimized engineering in the second quarter of 2014,. The study involved trade-off analyses in order to identify optimized project elements to include in an optimized FS and the final detailed engineering. As stated previously, an updated Feasibility Study and modified 43-101 is currently being completed as the basis for project permitting of the optimized project design.. Several opportunities to maintain the Capex and OpEx in the face of rising costs over the past three years have been evaluated in the optimization trade-off study currently in progress. Potential CapEx changes and reductions have been identified, based on redesign of tailings facilities, water management alternatives, main equipment resizing in the process plant (crusher, SAG mill, ball mill) and pit optimization. The use of mine equipment leasing and contract mining is being considered to reduce CapEx. Additionally, potential OpEx opportunities have been identified which includes lower internal stripping ratios by designing smaller pits and creating shorter ore and waste haul distances by relocating the crusher and waste dumps closer to pits. Alternatives to increase revenue were identified by reducing the pit size and utilizing a variable cutoff grade annually in the mining sequence. Final results with an optimized financial model based on optimized engineering are expected at second quarter of 2015.

Specifically, the Company is evaluating project optimization including:

- In-pit tailings deposition beginning as early as year 5 of operations combined with dry-stacking filtered tailings at start-up and eliminating the tailings dam requirement entirely and reducing the projects' footprint. This design, for which technology has advanced significantly over recent years, is expected to substantially reduce the sustaining capital requirements while only marginally increasing OpEx. In addition to the economic benefits, permitting is expected to be facilitated by this design as the project footprint (impact area) will be reduced and mine-closure procedures and associated costs are expected to be reduced.

- Tailings pumping over the 22 year projected mine life will be eliminated improving operating efficiencies and reducing OpEx, off-setting the expected increase in OpEx related to tailings filtration and dry stacking.
- Water demands will be reduced as opposed to conventional wet-tailings disposal, eliminating the need for a fresh-water storage dam.
- New data regarding acid generating potential indicates that over 50% of the waste rock is not acid generating which allows for in-pit disposal of waste material, reducing haulage distances and OpEx.
- Smaller SAG and ball mill components have been identified for the 22,500 tonnes per day throughput rate while not impacting the metal output of 13.4M ounces silver per year as stated in the 2011 feasibility study filed on SEDAR by the Company on December 22, 2011 entitled "Corani Project, Form 43-101F1 Technical Report, Feasibility Study" (the "FS" or "Feasibility Study").
- Further studies are underway to consider contract mining for the first 3-5 years. Trade-off studies will consider CapEx savings versus OpEx increases. Innovations in contract mining agreement structures will consider if purchasing a leased mining equipment fleet after start-up can improve financial performance of the Corani project.
- Cooperative infrastructure projects are being discussed with the Peruvian Government in order to reduce CapEx while providing significant benefits to our local communities in terms of power and access.

**Regulatory footnotes:**

The block model estimate, mine design and schedules were prepared by Independent Mining Consultants of Tucson Arizona. John Marek P.E. acted as the independent qualified person as defined by Canada's NI 43-101. Additionally the methods used in determining and reporting the mineral reserves and resources are consistent with the CIM Best Practices Guidelines. The method used in the resource calculation is equivalent to the method used in the resource calculation shown in the Company's August 23, 2006 Press Release. For the resource estimate in the FS, the Company used metal prices based on a 3-year backward average and a 2-year forward price based on the metal markets in August 2011.

Assumptions used in the mineral reserve and FS model by IMC are: Silver Price=\$18.00/oz; Zinc Price=\$0.85/lb; Lead Price=\$0.85/lb; Mixed Sulfide Material Silver Recovery is fixed at 62% to lead con and an additional 14% to the zinc con when zinc head grade is greater than 0.7%, 10.4% Ag recovery when zinc head grade is from 0.7% to 0.5%, 6.3% recovery of silver to the zinc con when zinc head grade is from 0.5% to 0.3% and no silver recovery to the zinc con when zinc head grades are less than 0.3%. Zinc Recovery=67.5% to zinc con when the zinc head grade is greater than 0.7%, 50% Zn recovery when zinc head grade is from 0.7% to 0.5%, 30% recovery of zinc to the zinc con when zinc head grade is from 0.5% to 0.3% and no zinc recovery to the zinc con when zinc head grades are less than 0.3%. Lead Recovery=75% to lead con. For Transitional Material Silver Recovery= 38.5%+.2\*Ag Grade (g/t) (Maximum 70% recovery) to lead con and 0% to the zinc con, Zinc Recovery= 0% to zinc con and Lead Recovery= 38%+10.9\*Lead Grade (%) (Maximum 65% recovery) to lead con. Average smelter charges including Treatment Charges and Refining Charges ("TCRC") and metal deducts against saleable metal: Silver= \$1.52 per ounce; Zinc= \$0.62 per pound; Lead= \$0.41 per pound; Mining Costs per tonne= \$1.34; Process cost per tonne= \$8.00; G&A per processed tonne= \$1.20; Pit Slopes= 42 degrees in mineralized tuff and 46 degrees in post-mineralized tuff. The resulting mineral reserve cutoff is \$10.54/tonne ore NSR. The mineral reserves are contained within a practical mining plan that utilized the 'floating-cone' method as an initial guide for design.

The mineral resource portion of the project is contained in a larger pit than the FS design pit, which was a floating cone using the following input assumptions: Silver Price=\$30.00/oz; Zinc Price=\$1.00/lb; Lead Price=\$1.00/lb; Mixed oxide material that was given 0% recovery for the reserves was assumed to have an 85% recovery of silver, all other recoveries remained the same. The Mineral Resource cut-off was \$9.20/tonne which represents the internal process cutoff. All metallurgical material types were included in the resource.

All diamond drilling has been performed using HQ diameter core with recoveries averaging greater than 95%. Core is logged and split on site under the supervision of Bear Creek geologists. Sampling is done on two-meter intervals and samples are transported by Company staff to Juliaca, Peru for direct shipping to ALS Chemex, Laboratories in Lima, Peru. ALS Chemex is an ISO 9001:2000-registered laboratory and is preparing for ISO 17025 certification. Silver, lead, and zinc assays utilize a multi-

acid digestion with atomic absorption (“ore-grade assay method”). The QC/QA program includes the insertion every 20th sample of known standards prepared by SGS Laboratories, Lima. A section in Bear Creek’s website is dedicated to sampling, assay and quality control procedures.

The FS was prepared by a team of independent engineering consultants. The mining and block model portion was prepared by Independent Mining Consultants of Tucson Arizona, John Marek, PE acting as QP. The process plant design was prepared by M3 Engineering, Dan Neff, PE acting as QP. Metallurgy and Process design criteria developed by Blue Coast Metallurgy Ltd. Chris Martin, CEng acting as QP. Geotechnical, environmental, infrastructure, waste stockpile and tailings designs were prepared by Global Resource Engineering Ltd., Chris Chapman, PE acting as the QP. Each of these individuals has read and approves the respective scientific and technical disclosure contained in this MD&A. Silver Equivalency calculation represents the contained equivalent silver ounces contained in the ground and is based on the resource metal prices assumptions of \$18.00/oz Ag, 0.85/lb Pb and 0.85/lb Zn and recoveries to concentrate of 64.2% for silver and 71.1% for lead and 51.6% for zinc. The calculation does not take into account the net smelter payment terms for the different metals in the two separate concentrates. The resulting equivalency is 1 oz Ag = 19.1 lb Pb and 1 oz Ag = 26.3 lb Zn.

Total cash cost per ounce of silver is calculated in accordance with a standard approved by The Silver Institute, a nonprofit international association that draws its membership from across the breadth of the silver industry. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measures of other companies. Total cash cost includes mine site operating costs such as mining, processing, administration, and treatment and refining charges, but is exclusive of amortization, reclamation, capital, exploration costs and taxes on income. Total cash costs are reduced by lead and zinc by-product revenues, and then divided by silver ounces sold to arrive at total cash cost of per ounce of silver, net of by-product revenues. Previously, the Company included reclamation costs as a component of its total cash cost per ounce of silver.

The Company has elected to follow the Silver Institute’s cash cost standard, and has therefore excluded reclamation costs from its calculation of total cash cost per ounce of silver.

The foregoing disclosure regarding the Corani project contains forward-looking statements that are based on a number of assumptions which may prove to be incorrect, including but not limited to: the availability of financing of the Company’s Corani project; the Company’s ability to attract and retain skilled staff; the estimated timeline for the development of the Corani project; the supply and demand for, and the level and volatility of the price of silver, lead and zinc; the timing of the receipt of regulatory and governmental approvals, the supply and availability of consumables and services; the accuracy of the Company’s resource and reserves estimates and the geological and metallurgical assumptions (including the size, grade and recoverability of mineral resources and reserves) and operational and price assumptions on which the resource estimates are based; market competition; the Company’s ongoing relations with its employees and local communities; and general business and economic conditions. There is also no certainty that the results of the FS will ever be realized. Should one or more of the risks or uncertainties involved in forward-looking statements relating to the FS materialize, or should the assumptions underlying the FS prove incorrect, actual results of the FS may vary materially from those anticipated, believed, estimate or expected. See also “Forward-Looking Information” above.

### **3.2) Santa Ana Silver Project**

The 100%-owned Santa Ana silver project (“Santa Ana”) is located 120 kilometers southeast of the city of Puno, Peru at an elevation of 4,150 to 4,300 meters. The project encompasses 5,400 hectares of mineral concessions. An updated feasibility study on Santa Ana, which incorporated three-stage crushing of ores, was completed on January 19, 2011. Further development of the project has been postponed pending resolution of the legal matter discussed below.

The Santa Ana Project is located in the Puno Region of Peru and contains Proven and Probable Mineral Reserves totaling 63.2 million ounces of silver as well as Measured and Indicated Resources containing 72.8 million ounces of silver and Inferred Resources of 28.2 million ounces of silver. Bear Creek acquired the mining concessions in full compliance with Peruvian law, as is confirmed by Supreme Decree 083, issued by the President of Peru and the Council of Ministers on November 29, 2007. Bear Creek performed significant exploration work and undertook a comprehensive Environmental and Social Impact Assessment shortly thereafter.

On June 25, 2011 the Company learned by publication in the Official Gazette “El Peruano” that the Peruvian Government issued Supreme Decree DS-032-2011 (the “2011 Supreme Decree”) that reversed Supreme Decree DS-083-2007 issued in 2007, (the “2007 Supreme Decree”)

which granted the Company the right to acquire title to and operate on the mineral concessions covering the Santa Ana Project within an area 50 kilometers of the Peruvian territorial boundaries. The 2011 Supreme Decree rescinded, without legal grounds or an opportunity to be heard, the Company's rights to operate on the concessions; however, the titles to the concessions continue to be held by the Company.

If the Company is able at some point in the future to reach an amicable resolution of its dispute with the Peruvian Government, the Santa Ana Project, which is supported by the local communities surrounding the proposed mine site, would create 2,500 direct and indirect jobs in the southern Puno Region, and would bring important infrastructure improvements to the area. The Santa Ana Project would also provide approximately \$330 million in federal taxes, much of which would benefit local communities.

Substantially all detailed engineering and project development activities at Santa Ana have been completed, but any remaining work has been placed on hold since the third quarter of 2011, pending resolution of the Company's legal actions against the Peruvian Government.

#### *Relevant Developments at Santa Ana and Project Status*

On July 12, 2011, the Company commenced a constitutional lawsuit in Peru, known as an "Amparo", against the Peruvian Government. The objective of the Amparo is to seek a determination that the 2011 Supreme Decree violates the Company's rights under the Peruvian Constitution and is therefore unlawful. The Company maintains that there was no basis for rescinding the 2007 Supreme Decree which had granted the Company title to and the rights to operate on the mineral concessions comprising the Santa Ana Project in full accordance with Peruvian Constitutional law. The Amparo hearing was held on June 6, 2013, and on May 12, 2014, as set forth more fully below, the Lima First Constitutional Court issued a ruling in the Company's favor holding that the Peruvian Government, among other things, had violated the Company's constitutional rights and that all rights should be returned to the Company as per the 2007 Supreme Decree. The Peruvian Government appealed that decision. In connection the international arbitration proceeding described below, as required by the the Free Trade Agreement between Canada and Peru ("Canada-Peru FTA"), the Company formally desisted from the Amparo action it had commenced against the Peruvian Government with respect to the 2011 Supreme Decree.

On September 5, 2011 the Company received notice of a civil lawsuit filed by the Peruvian Ministry of Energy and Mines (the "MEM") against the Company claiming that the titles to its Santa Ana mineral concessions were not acquired in accordance with Peruvian law (the "MEM Civil Case"). The Company has formally submitted arguments in its defense, and requested the removal of the judge selected to hear the case due to a conflict of interest. In November 2011, the request to seek removal of the judge was granted by the court. The Company and its Peruvian legal counsel strongly maintain that the grounds of the MEM Civil Case are without merit. In October 2012, the judge ruled that the civil case was inadmissible because the government's Civil Case improperly comingled administrative and legal claims.

On February 5, 2013, the Company was informed that the judge had dismissed the MEM Civil Case. This claim had two aspects, one related to administrative acts (the State) and other linked to relations between individuals. The dismissal was based on that, together, these two aspects cannot be treated at the Civil Courts and therefore it would have to become inadmissible. The Company was also informed that the MEM appealed the judge's decision to the Peruvian Superior Court. The Peruvian Superior Court confirmed the dismissal with regards

to the administrative issues, and ordered that the process regarding the issues between individuals be initiated. Regarding this decision of the Peruvian Superior Court, the Company initiated an Amparo Action, separately, against the Peruvian Superior Court for, among other things, the violation of the Company's right to due process under the Peruvian Constitution. The court refused to admit the Company's Amparo and the Company appealed this decision. In connection with the international arbitration proceeding described below, the Company has since waived this appeal in its Amparo action, and has formally desisted from the Amparo action it had commenced in connection with the Superior Court's decision dismissing some claims in the MEM Civil Case while permitting others to proceed.

On February 6, 2014, the Company officially notified the Peruvian Government with a Notice of Intent to Submit a Claim to Arbitration ("Notice of Intent"), under the Canada-Peru FTA. In the Notice of Intent, the Company advised Peru that the dispute arises out of, among other things, the enactment by the Peruvian Government on June 25, 2011, of Supreme Decree 032 rescinding the Company's rights to operate the Santa Ana Project and which resulted in a complete stoppage of activities at Santa Ana and significant damages to the Company. Peru's actions constitute violations of the Canada-Peru FTA, Peruvian and international law.

The Notice of Intent was a necessary step in order to preserve the Company's rights to initiate arbitration should a resolution with the Peruvian Government not be reached. The filing of the Notice of Intent also initiated a six-month consultation period between the parties during which time they were to continue to attempt to amicably settle the dispute. Because no amicable settlement resulted during that six-month period, the Company initiated international arbitration proceedings against Peru in accordance with the Canada-Peru FTA.

On May 12, 2014, the Company was informed that the Lima First Constitutional Court rendered its ruling regarding the Amparo action brought by the Company against the Peruvian Government challenging the constitutionality of the Supreme Decree N° 032-2011-EM., which rescinded the Company's rights to operate on its Santa Ana mineral concessions. The decision states unequivocally and unconditionally that:

- Bear Creek's constitutional rights were violated;
- The Company's rights are unconditionally returned as stipulated under Supreme Decree N° 083-2007-EM, which originally granted the right to Bear Creek, as a foreign company, to operate the Santa Ana concessions, located within the 50 kilometer border zone of Peru;
- Bear Creek is recognized as title holder of the Santa Ana's mining concessions and therefore, is enabled to perform all the rights arising from said titles; and
- The Court reaffirms that the Santa Ana project is in the National interest of Peru.

The Peruvian Government appealed this decision.. As discussed in the Company's previous MD&A, with respect to the above-referenced proceeding, as required by the Canada-Peru FTA and in order to pursue the international arbitration process described above, the Company, through local counsel, made a submission to the Peruvian court desisting from this legal proceeding on August 11, 2014. Bear Creek's voluntary dismissal was approved by the Court of Appeals on October 23, 2014, declaring the proceeding concluded.

On August 11, 2014, and after the six-month negotiation period under the Canada-Peru FTA had expired without the parties reaching an amicable resolution of the dispute despite many meetings between the Company and the Peruvian Government to that end, the Company

submitted a Request for Arbitration to The International Center for Settlement of Investment Disputes ("ICSID") against the Republic of Peru pursuant to the terms of the Canada-Peru FTA. While Bear Creek remains committed to continuing discussions with the Peruvian Government to resolve and settle the dispute relating to the Santa Ana mining project, commencing the arbitration proceedings at ICSID was necessary to preserve the Company's rights under the Canada-Peru FTA.

On January 12, 2015, the Company participated in the first procedural meeting called by the ICSID arbitration tribunal, which addressed an agenda comprised of largely procedural matters. Following the first procedural meeting, the ICSID tribunal issued Procedural Order No. 1 on January 27, 2015, addressing the procedural issues discussed during the meeting. Set forth below is a summary of the tribunal's material decisions in P.O. No. 1:

- Bear Creek will submit its legal memorial on the merits, witness statements, expert witness statements and supporting documentation by May 29, 2015;
- The Government of Peru will have 130 days to submit its counter-memorial and lodge jurisdictional objections, if any;
- Bear Creek will have 94 days to submit its reply on the merits and counter-memorial on jurisdiction, if any;
- The Government of Peru will have 94 days to submit its rejoinder on the merits and reply on jurisdiction, if any;
- Bear Creek will have 45 days to submit its rejoinder on jurisdiction, if any;
- A process for non-disputing party submissions (*amicus* submissions), if any, is scheduled for the period June 9, 2016 – July 21, 2016; and
- The final hearings before the ICSID arbitration tribunal will take place in Washington D.C. on September 8 - 14, 2016, with three days held in reserve in case more hearing time is needed.

The Company is preparing its case for international arbitration beginning with the submission of its memorial on the merits on May 29 2015 and is seeking full reparation for, among other things, the Peruvian Government's expropriation of Santa Ana as well as resulting damages to the Corani project. Irrespective of the foregoing, the Company remains open to seeking to achieve an amicable settlement of this dispute with the Peruvian Government and is willing to re-engage in settlement discussions which ceased in August 2014.

During the three months ended March 31, 2015, the Company incurred expenditures of \$0.4 million on the Santa Ana project, principally for ongoing legal related costs associated with its submissions for its international arbitration case.

The Company released an updated NI 43-101 report on the Santa Ana project on April 1, 2011, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). A summary of the updated feasibility study is as follows:

#### *Feasibility Study Summary*

The following summary of the feasibility study for the Santa Ana silver project is contained within the feasibility study entitled "Revised Feasibility Study, Santa Ana Project, Puno, Peru, NI 43-101 Technical Report Update to the 21-Oct-2010 Report", dated April 1, 2011 to include the finer crushing of ore identified as an opportunity within the FS. The Report was prepared by Scott Elfen, PE, Sean Currie, P.Eng., and Thomas Wohlford, CPG, of Ausenco Vector, John Marek, PE, of Independent Mining Consultants, Inc. ("IMC"), and Deepak Malhotra, Ph.D., of

Resource Development, Inc. The summary has been updated and conformed to be consistent with other disclosure within this MD&A.

A summary of the results of the Santa Ana feasibility study are as follows:

- Proven and probable mineral reserves containing 63.2 million ounces of silver are currently defined at Santa Ana;
- Santa Ana project pre-tax NPV of \$106.9 million at a 5% discount rate and pre-tax IRR of 30% at \$14.50 per ounce silver. After-tax NPV of \$80.3 million and after-tax IRR 25%;
- 11 year mine life producing a total of 47.4 million ounces of silver;
- Average annual saleable silver production of 5.0 million ounces per year for the first 6 years;
- Cash cost of \$8.72 per ounce silver for the 11 years LOM;
- Capital costs of \$70.8 million with capital payback in 3.0 years at \$14.50/oz silver;
- At \$37.63 per ounce silver (London Silver spot price fix on April 1, 2011, the date of the feasibility study), the project would have a pre-tax IRR of 145% and an NPV of \$859 million at a 5% discount rate. On an after-tax basis the IRR would be 84% and NPV \$422 million;
- Numerous upside opportunities are being explored including reductions in cash costs, and an extended mine life plan to include an additional 35.7 million ounces of silver; and
- The Santa Ana deposit remains open, mainly at depth and to the north where the northernmost holes contain up to 22 meters @ 124 g/t silver from surface.

*Reserve and Resource Estimate (October 21, 2010)*

<b>Mineral Reserves (Cut-off Grade variable 27 to 24 g/t silver by year)</b>					
<b>Category</b>	<b>Kt</b>	<b>Silver (g/t)</b>	<b>Lead (%)</b>	<b>Zinc (%)</b>	<b>Contained Silver (million oz.)</b>
Proven	8,951	57.6	0.37	0.66	16.6
Probable	28,126	51.5	0.33	0.55	46.6
Proven + Probable	37,077	53.0	0.34	0.58	63.2
<b>Mineral Resources in Addition to Reserves (Cut-off Grade = 15 g/t Silver)</b>					
Measured	13,386	34.6	0.30	0.51	14.9
Indicated	51,337	35.1	0.30	0.50	57.9
Measured + Indicated	64,723	35.0	0.30	0.50	72.8
Inferred	21,632	40.6	0.32	0.49	28.2

Note: no lead and zinc will be recovered.

## Key Project Assumptions

Item Description	Value
Annual Ore Production (Year 1 to end of mine life)	3,600,000 tonnes
Overall Process Recovery – Silver	70 percent
Total Processed Material	37,077,000 t
Average Silver Grade	53.0 g/t
Recovered Silver	47.4 million oz.
Overall Stripping Ratio	1.96:1
Life of Mine (mining only)	9.5 years
Life of Mine (processing)	11.2 years

### Regulatory footnotes:

Assumptions used in the mineral reserve are consistent with the costs calculated used throughout the Santa Ana feasibility study and these are: Silver Price=\$14.50/oz; Silver Recovery=70% to a doré bar; Mining Costs per tonne = \$1.68; Process cost per tonne = \$3.19; G&A per processed tonne = \$1.17; Pit Slopes= 42 degrees in mineralized tuff and 46 degrees in post-mineralized tuff. A variable reserve cutoff of 24 to 27 g/t was used and this was employed to improve the IRR in the early years of operation. The mineral reserves are contained within a practical mining plan that utilized the “floating-cone” method as an initial guide for design.

The mineral resource portion of the project is contained in a larger pit than the Santa Ana feasibility study design pit. The method used in the resource calculation is equivalent to the method used in the resource calculation shown in the Company's May 26, 2009 Technical Report on the Santa Ana project (available under the Company's profile at [www.sedar.com](http://www.sedar.com)). For this resource estimate we have used metal prices based on a 3-year backward average and a 2-year forward price based on the current metal markets, Assumptions used in the resource model by IMC. silver price = \$16.00/oz; silver recovery = 70%; zinc recovery = 0%; lead recover y= 0%; smelter charges: silver= \$0.40 per ounce; mining costs per tonne = \$1.67; process plus G&A cost per tonne = \$5.30; Pit Slopes = 40 degrees in all rock types.

The Santa Ana feasibility study was prepared by a team of independent engineering consultants. The mining and block model portion was prepared by Independent Mining Consultants of Tucson Arizona, with John Marek, PE acting as QP. The process plant design was prepared by Ausenco Vector in Peru with the metallurgy and process design criteria developed by Resource Development Inc., with Deepak Malhotra, Ph.D acting as QP. Geotechnical, environmental, infrastructure, waste stockpile and heap leach designs and financial modeling were prepared by Ausenco Vector, with Scott Elfen, PE, acting as the QP.

Onsite operating cost per ounce represent the sum of the mining, processing and site G&A divided by the silver ounces produced. Cash costs per ounce are consistent with the Gold Institute's definition, where in addition to the onsite costs; refining, dore transport and royalties are added and by-product credits are subtracted from the numerator of the calculation.

Additionally, the methods used in determining and reporting the mineral reserves and resources are consistent with the CIM Best Practices Guidelines.

All diamond drilling has been performed using HQ diameter core with recoveries averaging greater than 95%. Core is logged and split on site under the supervision of Bear Creek geologists. Sampling is done on two-meter intervals and samples are transported by Company staff to Juliaca, Peru for direct shipping to ALS Chemex, Laboratories in Lima, Peru. ALS Chemex is an ISO 9001:2000-registered laboratory and is preparing for ISO 17025 certification. Silver, lead, and zinc assays utilize a multi-acid digestion with atomic absorption (“ore-grade assay method”). The QC/QA program includes the insertion every 20th sample of known standards prepared by SGS Laboratories, Lima. A section in Bear Creek's website is dedicated to sampling, assay and quality control procedures.

Total cash cost per ounce of silver is calculated in accordance with a standard approved by The Silver Institute, a nonprofit international association that draws its membership from across the breadth of the silver industry. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measures of other companies. Total cash cost includes mine site operating costs such as mining, processing, administration, and treatment and refining charges, but is exclusive of amortization, reclamation, capital, exploration costs and taxes on income. Total cash costs are reduced by any by-product revenues, and then divided by silver ounces sold to arrive at total cash cost of per ounce of silver, net of by-product revenues.

The foregoing disclosure regarding the Santa Ana project contains forward-looking statements that are based on a number of assumptions which may prove to be incorrect, including but not limited to: capital cost estimates of the Company's Santa Ana project; the Company's ability to attract and retain skilled staff; the estimated timeline for the development of the Santa Ana project; the supply and demand for, and the level and volatility of the price of silver; the timing of the receipt of regulatory and governmental approvals, the supply and availability of consumables and services; the accuracy of the Company's resource estimates and the geological and metallurgical assumptions (including the size, grade and recoverability of mineral resources and reserves) and operational and price assumptions on which the Santa Ana feasibility study estimates are based; market competition; the Company's ongoing relations with its employees and local communities; and general business and economic conditions. There is also no certainty that the results of the Santa Ana feasibility study will ever be realized. Should one or more of the risks or uncertainties involved in forward-looking statements relating to the Santa Ana feasibility study materialize, or should the assumptions underlying the Santa Ana feasibility study prove incorrect, actual results of the Santa Ana feasibility study may vary materially from those anticipated, believed, estimate or expected. See also "Forward-Looking Information" above.

#### **4) Exploration Projects**

Due to current market conditions, the Company maintains its reduced exploration focus in the current quarter to preserve its cash position. It has reduced its exploration activities to a minimum in order to preserve cash yet meet its obligation requirements under JV agreements. As a part of this effort, the position of VP Exploration was eliminated in 2014 and the exploration staff was reduced by 50%, maintaining a core group in order to manage the Company's joint venture exploration projects. In addition, the Company has obtained a good joint venture partner for its Maria Jose gold project in order to further reduce exploration costs. As a result of these initiatives, the annual exploration expenditures have been reduced from approximately \$4M per year to less than \$700,000.

##### **4.1) Maria Jose Prospect**

Maria Jose is located in the Department of Ancash, 140 kms NNW of Lima. The project is comprised of Cretaceous to Paleocene diorites and granitoids of the Coastal Batholith hosting a system of east-west to northeast trending, 45° to steeply north dipping, mesothermal quartz veins and shear zones containing high gold grade - silver values. At surface, the five main east-west veins can be traced for approximately 500 meters; however, shallow cover is prevalent in the district and the possibility of much longer strike lengths is being investigated by shallow trenching and sampling. The total vein lengths observed is approximately 54km. The observed veins range in thickness from 0.20 meters to 34.5 meters with average widths of ~1 meter. Exposed vein intersections reach up to 34.5 meters, averaging 27.2 g/t gold. To date, mapping and channel sampling (237 samples) of seven veins yielded values ranging from 1.0 g/t to 233 g/t gold. In one of the veins ("Mari"), systematic channel sampling performed on the Mari vein exposed 158 meters of strike length with an average grade of 19 g/t gold over a true average width of 0.84 meters. The full widths are being exposed by trenching and sampled in the ongoing field program. Based upon the field work to date, the mesothermal veins are consistently gold bearing and are indicated to have vertical continuity for at least 400 meters as evidenced by prospect pits and scattered outcrops separated by thin soil cover.

Under the option agreement with a private Peruvian third party, Bear Creek Mining may acquire 100% of Maria Jose (3,500 hectares) by making escalating payments totaling \$4 million over 4 years. Total options payments made to date are \$0.7 million. The Company has sufficient time to complete additional field work and initial drill testing to define the potential in advance of larger, balloon payments. An additional payment of \$2.6 million must be made if the deposit contains greater than 1 million ounces gold in resources as defined by a NI 43-101 technical report. There are no royalty provisions under the agreement.

The Company has entered into an earn-in agreement with a private Peruvian gold producer to explore and develop this gold-quartz vein system. The Company has signed a formal option and joint venture agreement with Analytica Mineral Services S.A.C. ("AMS"); a proven Peruvian tunneling contractor and gold producer. AMS will complete 2,000 meters of tunneling and cross-cuts in the vein systems within one year, at its sole cost, in order to earn a 51% undivided interest in the mineral concessions. AMS will also make its pro-rata share of the underlying option agreement payments totaling \$115,000 in 2015 and \$2.1M over the term of the 5-year option. Following AMS earning its 51% interest, the two parties will form a joint venture agreement with standard terms.

\$0.3 million was spent on exploration on the Maria Jose project during the three months ended March 31, 2015.

#### **4.2) Le Yegua Copper-Gold-Molybdenum Prospect**

The La Yegua copper-gold-molybdenum prospect is located in central Peru approximately 20 kilometers northeast of the Los Chancas copper/gold/molybdenum deposit in a prolific porphyry copper belt also containing the Las Bambas, Huaquira, Constancia, Tintaya and Antapaccay deposits.

In October 2010, Bear Creek entered into a joint venture agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") to advance the La Yegua Project to phase II drilling. The agreement provides for JOGMEC to earn a 51% interest through investing \$3M over a three year period. JOGMEC has currently met its earn-in expenditures and acquired an undivided 51% interest in the project. Going forward, the Company is evaluating drilling results in order to determine if Bear Creek will contribute its share of future exploration expenditures in order to maintain its 49% interest. Alternatively, the Company can elect to dilute its interest until reaching 10%, at which time the Company's interest will revert to a 1.0% NSR.

Phase I drilling intersected up to 114 meters with 0.24% copper and 0.03 g/t gold, which was restricted to a small portion of the altered intrusive complex. The joint venture completed additional geophysics in early 2011 that identified two high-chargeability anomalies defined by Induced Polarization/Resistivity ("IP") surveys. These two targets, measuring 700 x 300 meters and 500 x 300 meters, are located at shallow depths 600 meters east and 1.5 kilometers southwest of previous drilling and strongly suggest the presence of untested porphyry targets. In Phase II, three drill holes totaling 759 meters were drilled at La Yegua from September 2011 through December 2011, where intercepts of up to 0.2% to 0.3% copper were encountered over intervals of up to 20 meters. Phase III of drilling commenced on May 22, 2013, and included 1,183.3 meters of drilling in three holes. The final drill hole intersected 0.29% Cu and 45 ppm Mo. on the borders of a strong geophysical IP anomaly which remains untested and extends for 1.4km by 600m. JOGMEC has submitted a plan to drill four additional holes, at its cost, in untested target areas for which permitting is in progress for drilling to commence again.

#### **4.3) Sumi Gold Prospect**

The Company acquired a 100% interest in the Sumi gold prospect by staking in 2011. Sumi is comprised of 1,200 hectares located in the gold-silver tertiary-age epithermal belt in central Peru. The prospect exhibits alteration and mineralization typical of a volcanic-sediment hosted, high and low-sulfidation precious metals system with a copper-gold porphyry potential source. To date, 111 surface rock chip samples have been collected at Sumi. Assay results for the 111 samples have returned precious metal values including 15.65 g/t gold and 156 g/t silver in a vein-breccia structure over widths of 0.3 to 2.0 meters and 12.1 g/t gold and 102 g/t silver over 2

meter widths in a silicified volcano-sedimentary rock. See the Company's news release dated October 11, 2011. Based upon favorable surface mapping and geochemical sampling, a phase I drilling program was performed in the fourth quarter of 2012 consisting of five diamond drill holes totaling 1,105.3 meters. Highlights of the results are:

- Drill hole SU-5 returns 17 meters averaging 3.6 g/t Au and 3.2 g/t Ag from 50.65 to 68 meters depth.
- Drill hole SU-2 returns 50 meters averaging 0.98 g/t Au and 5.1 g/t Ag from 124 to 174 meters depth.
- Drill hole SU-1 returns 10 meters averaging 4.4 g/t Au from 69.9 to 80 meters depth.
- Three cyanide extraction bottle roll tests on drill core ground to 85% passing minus 200 mesh averaged 86.6% gold recovery; two tests on higher sulfide content samples yielded less than 40% recoveries.

In March 2014, Bear Creek entered into a joint venture agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") to advance phase II drilling to test additional blind vein-breccia targets plus a possible buried Cu porphyry source underlying the large epithermal mineralization footprint exposed at the surface. The agreement provides for JOGMEC to earn a 51% interest through investing \$2.5 million over a three year period. After March 2017, Bear Creek can elect to maintain its 49% interest or to dilute until reaching 10%, at which time the Company's interest will revert to a 1.0% NSR.

Negotiations are in progress to acquire community agreements prior to drilling. Two drill holes are planned during 2015.

#### **4.4) Generative Exploration**

Generative exploration has historically been a crucial part of the business of identifying and acquiring new opportunities. However, as a part of the Company's focus on the Corani and Santa Ana Projects, generative exploration efforts have been temporarily reduced. Generative exploration costs are those costs not attributable to a specific Bear Creek project. When Bear Creek defines a project as a distinct exploration target, it is then accounted for as a separate project.

#### ***IGV***

IGV ("Impuesto General a las Ventas" - Peruvian value added tax) expense of \$0.3 million represents IGV that was paid to the Peruvian Government during the three months ended March 31, 2015. This amount is expected to be recoverable when the Company generates future revenues in Peru.

Since the Company is in the exploration stage and there is no assurance that future revenues will be generated in Peru, IGV has been expensed as incurred. IGV is denominated in Peruvian soles, with the total cumulative amount of IGV paid by the Company as of March 31, 2015 being \$12.8 million (39.7 million soles). IGV credits can be carried forward indefinitely.

## *Other Properties*

Other properties are exploration properties which management has decided are not a priority or which management has chosen not to pursue and, therefore, has terminated option agreements.

## **5) Results of Operations**

### ***Three months ended March 31, 2015 as compared to the three months ended March 31, 2014.***

For the three months ended March 31, 2015 the Company incurred a net loss of \$4.6 million and a loss per share of \$0.05 which was the same as the net loss and loss per share for the three months ended March 31, 2014.

During the three months ended March 31, 2015, the spending on the Corani property increased by \$0.8 million and the Santa Ana arbitration costs increased by 0.3 million in comparison to the three months ended March 31, 2014. The Corani costs were higher as a result of the feasibility study being prepared in the current quarter, and the Santa Ana costs were higher due to the cost associated with the international arbitration. These increases were offset by a decrease of \$0.4 million in exploration and evaluation costs relating to other properties and a \$0.6 decrease in share-based compensation expense. The decrease in share-based compensation was due to the lower share price and lower number of options granted in 2015 as compared to 2014.

### **Summary of Quarterly Results**

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited interim consolidated financial statements prepared by management. The Company's interim consolidated financial statements are prepared in accordance with IFRS applicable to interim financial statements, and are expressed in US dollars. The presentation currency is the US dollar.

Period	Revenues	Loss for the period (in millions)	Basic and fully diluted loss per share
1 <sup>st</sup> Quarter 2015	Nil	\$4.6	\$0.05
4 <sup>th</sup> Quarter 2014	Nil	\$3.4	\$0.04
3 <sup>rd</sup> Quarter 2014	Nil	\$5.0	\$0.05
2 <sup>nd</sup> Quarter 2014	Nil	\$3.9	\$0.04
1 <sup>st</sup> Quarter 2014	Nil	\$4.6	\$0.05
4 <sup>th</sup> Quarter 2013	Nil	\$4.8	\$0.05
3 <sup>rd</sup> Quarter 2013	Nil	\$4.6	\$0.05
2 <sup>nd</sup> Quarter 2013	Nil	\$6.0	\$0.07

The increase in loss in the 3<sup>rd</sup> quarter of 2014 relates primarily to increase of focus on engineering optimization with the Corani project as well as legal costs related to the Company's negotiations related to its Santa Ana dispute.

The decrease in losses in 2013 and the first half of 2014 compared to 2012 principally related to reduced expenditures on the Corani project as a result of the Company filing its ESIA in

December 2012 as well as the reduction of expenditures on all projects as a result of current market conditions.

The principal factors that can cause fluctuations in the Company's quarterly results include the timing and valuations attributable to stock option grants, expenditure levels on exploration projects, impairment losses on exploration projects and foreign exchange gains or losses related to Canadian dollar cash balances.

## 6) Liquidity and Capital Resources

Of the \$30.5 million in cash and cash equivalents and short term investments, as of March 31, 2015, approximately \$7.7 million (CDN\$9.4 million and Soles 1.1 million) was denominated in Canadian dollars and Peruvian soles, with the remaining balance in US dollars. The Company's major exploration and development expenditures for 2015 are expected to be denominated in US dollars. The Company generally invests its cash and cash equivalents in either Canadian government backed paper or in Canadian chartered bank corporate paper with short-term maturities.

As of March 31, 2015, the Company's net working capital was \$29.1 million compared to net working capital of \$33.5 million as of December 31, 2014. Cash and cash equivalents at March 31, 2015 totaled \$30.5 million compared to \$34.3 million as of December 31, 2014. The \$3.8 million decrease in cash and cash equivalents principally resulted from expenditures for land acquisitions, engineering, exploration, arbitration and other operating activities during the period, net of working capital adjustments.

The Company believes its current cash balances are sufficient to fund its planned exploration and corporate overhead activities for at least the next twelve months. Construction of the Corani mine will require financing either by way of share issuance, debt financing and/or by other financing alternatives to satisfy the projected \$574 million capital requirement for the Corani project (capital estimate derived from the December 2011 feasibility study).

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations in the future. The Company has had no source of revenue to date, and has significant cash requirements to fund its development project capital requirements, continue with its exploration programs, administrative overhead and maintain its mineral properties.

The following table summarizes the contractual maturities of the Company's financial liabilities, and operating and capital commitments at March 31, 2015:

(000's)	2015	2016	2017	2018	2019 and Beyond	Total
Accounts payable and accrued liabilities	\$ 1,315	\$ -	\$ -	\$ -	\$ -	\$ 1,315
Provisions	-	-	-	-	200	200
Other liabilities	317	71	106	106	273	873
Operating leases	102	-	-	-	-	102
	\$ 1,734	\$ 71	\$ 106	\$ 106	\$ 473	\$ 2,490

As of May 19, 2015, the Company had 93,107,139 outstanding common shares. The Company also had 8,156,100 share purchase options outstanding with a weighted average exercise price of CDN\$3.77.

## 7) Related Party Transactions

### a) Trading Transactions

Certain of the Company's officers and directors render services to the Company as sole proprietors or through companies in which they are an officer, director or partner.

	<b>Nature of transactions</b>
DuMoulin Black LLP	Legal fees
Estudio Grau S.C.R.L.	Legal fees
Avisar Chartered Accountants	Accounting fees

The Company incurred the following fees and expenses in the normal course of operations in connection with related parties.

	<b>Three Months Ended March 31</b>	
	<b>2015</b> (000's)	<b>2014</b> (000's)
Legal fees – DuMoulin Black LLP	\$ 56	\$ 58
Rent	11	-
Accounting fees	36	35
	<b>\$ 103</b>	<b>\$ 93</b>

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at March 31, 2015 included \$50,799 (December 31, 2014 - \$38,308) which were due to individuals or companies whose officers, directors or partners were also officers or directors of the Company.

### b) Compensation of Key Management Personnel

The remuneration of the directors, chief executive officer, president and chief operating officer, chief financial officer and vice president of operations (collectively, the key management personnel) during the year ended March 31, 2015 and 2014 were as follows:

	Note	<b>Three Months Ended March 31</b>	
		<b>2015</b> (000's)	<b>2014</b> (000's)
Salaries and directors' fees	(i)	\$ 196	\$ 209
Share-based compensation	(ii)	301	896
		<b>\$ 497</b>	<b>\$ 1,105</b>

- (i) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three months ended March 31, 2015 and 2014.
- (ii) Share-based compensation represents the non-cash expense for the years ended March 31, 2015 and 2014, translated at the grant date foreign exchange rate.

## **8) Key Accounting Estimates and Judgments**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities, as well as revenues and expenses. Management's critical accounting estimates are summarized below:

### *Asset carrying values and impairment assessment*

In accordance with the Company's accounting policy each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

The determination of fair value less costs to sell and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the income statement.

### *Determination of the fair value of stock-based compensation*

The fair value of share-based compensation granted is computed to determine the relevant charge to the statement of operations. In order to compute this fair value the Company uses the Black-Scholes option pricing model, which requires management to make various estimates and assumptions in relation to the expected life of the award, expected volatility and the risk free rate.

## **9) Financial Instruments**

The Company's financial instruments as at March 31, 2015 consist of cash and cash equivalents, short-term investments, receivables, accounts payable and accrued liabilities, and other liabilities. The fair value of these instruments approximates their carrying value. There were no off-balance sheet financial instruments.

Cash and cash equivalents other than the minor amounts held in Peruvian soles consist solely of cash deposits with major Canadian banks.

The Company does not use derivative or hedging instruments to reduce its exposure to fluctuations in foreign currency exchange rates involving the Canadian dollar or Peruvian Sol.

## **10) Disclosure Controls and Procedures**

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the year ended December 31, 2014 and

this accompanying MD&A (together, the “Annual Filings”).

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

### **Approval**

The Audit Committee of Bear Creek has approved the disclosure contained in this MD&A.

### **Additional Information**

Additional information relating to Bear Creek, including the Company’s latest Annual Information Form, is on SEDAR at [www.sedar.com](http://www.sedar.com)