



April 2017

## LETTER TO SHAREHOLDERS

We are pleased to have the opportunity to connect with you once again in our annual letter.

2016 was a dynamic year for both Bear Creek and the broader mining markets, and was marked by a welcome inflection point in the trajectory of both metal prices and mining company share prices after one of the deepest and longest lived downturns in recent memory. This recovery was particularly dramatic in the first half of 2016 during which time Bear Creek's share price increased a staggering 700%, from a low of \$0.50 early in the year to a high of \$3.77 in July. While the second half of 2016 saw more pronounced volatility and some pull-back in both metal and share prices, it is clear that confidence in the mining markets, for both issuers and investors, is returning.

This renewed optimism was the driving force behind many of our developments during 2016. During the past year, we:

- successfully raised over Cdn \$29 million
- actively progressed our Corani project into the pre-development stage
- concluded the witness testimony phase of the Santa Ana arbitration
- re-ignited our investor outreach and marketing efforts

### Financing

Our Corani project is very highly leveraged to metal prices. For every \$1 increase in the price of silver (and proportional increases of roughly 5% in the prices of lead and zinc), the net present value of the Corani project increases by US \$120 million. With roughly 100 million shares issued and outstanding, this leverage is a direct drive to Bear Creek's share price - a fact that did not go unrecognized by investors as silver prices recovered in early 2016 and which caused our share price to follow suit.

This leverage, combined with renewed optimism for stronger metal prices going forward, led to a bought deal financing proposal by a syndicate of underwriters headed by Paradigm Capital Inc. and BMO Capital Markets. The total gross proceeds of the financing, which closed in July 2016, were Cdn \$29,901,150.

### Corani

We completed a final optimized feasibility study for the Corani project in mid-2015 (the "2015 Corani FS"). While this study had been underway for many months earlier, it was finished and publicly filed at a time when both metal prices and investor confidence were particularly low – simply too low to warrant committing to the expenditures required to move the project into the pre-development phase.

That changed, however, during 2016; the financing gave us the financial muscle, and the much-improved metal-price and market-sentiment environment gave us the confidence, to accelerate development of the Corani project and ensure we have the puzzle pieces in place to be able to consider a production decision.



These puzzle pieces include: completing Phase 1 Detailed Engineering which results will support our application for the Corani Construction Permit; obtaining the Corani Water Permit and all remaining minor permits; securing the Construction Permit; and, assembling project financing.

In November 2016, we engaged GMI SA Ingenieros Consultores (“GMI”), a company owned by the prominent Peruvian engineering and construction firm Graña y Montero Group (“G&M”), to undertake Detailed Engineering work at the Corani project. This work commenced shortly thereafter and is currently advancing well. We anticipate it will be completed by mid-2017 at a cost of approximately US \$3.2 million (including taxes).

The Detailed Engineering study will establish final processing flow sheets, equipment lists, mine sequencing optimization and updated CapEx and OpEx cost estimates for the Corani project based on a projected 2018 construction start up time frame, and will be used to support the Company’s application for a Construction Permit.

In late 2015, we submitted modifications (based on the 2015 Corani FS) to our Corani Environmental and Social Impact Assessment (“ESIA”), which key environmental permit was originally approved in September 2013, and in early 2016 we received approval of the modified ESIA from the Peruvian Ministry of Energy and Mines; a key milestone for the Corani project and an important component of the Construction Permit. Our application for the Corani Water Permit is in process and we are methodically acquiring the remaining minor permits necessary to support the Construction Permit application.

Upon completion of the Detailed Engineering and securement of the Water Permit and remaining minor permits, we anticipate submitting an application for the Corani Construction Permit during Q3 2017. Approval is expected to take 3-5 months thereafter. The Construction Permit is the ultimate permit necessary under Peruvian law to greenlight the project and commence construction.

In early 2017, we engaged project financing consultants with whom we are working to investigate and assemble Corani project financing alternatives.

We expect the Detailed Engineering study to be completed by the end of Q2 2017 and the Construction Permit to be approved during Q4 2017. Pending continued positive metal price momentum and favorable market conditions, and contingent on successful project financing efforts, our goal is to be in a position to consider a construction decision for the Corani before the end of 2017.

### Santa Ana

Significant progress was made on the Santa Ana arbitration during 2016 as the opportunity for written and oral testimony concluded. The Santa Ana arbitration claim, under the Canada-Peru Free Trade Agreement, commenced in late 2014 and is being heard through the International Centre for Settlement of Investment Disputes (“ICSID”) headquartered in Washington, DC. Since commencing the action in 2014, various written submissions were made by both Bear Creek and the Republic of Peru (the “Parties”) pursuant to this claim, commencing with our Memorial (an initial statement of claim) in May 2015 and including Peru’s Counter-memorial and our respective replies and rejoinders, the final submission of which was made in August 2016.



The written submissions were followed by in-person hearings that took place at ICSID headquarters in Washington, DC. from September 7-14, 2016. During these hearings, witnesses and experts called by both the Parties provided oral testimony, were cross-examined by counsel for the opposing party, and the tribunal of three arbitrators (the “Tribunal”) had the opportunity to ask questions. After the hearings concluded, the Tribunal requested the Parties to submit final written post-hearing memorials in support of their respective positions, which submissions were made in December 2016 and February 2017. We are currently awaiting further instructions from the Tribunal or notification that the proceedings are officially closed, after which the Tribunal will commence deliberations. A decision by the Tribunal on the outcome of our claim is anticipated within the second half of 2017 (though there is no prescribed deadline).

Information related to the Arbitration, including procedural orders, written submissions and details regarding the hearings, is available to the public at

<https://icsid.worldbank.org/en/Pages/cases/casedetail.aspx?CaseNo=ARB/14/21>

We and our legal counsel remain very confident in the merits of our claim and anxiously await the culmination of this multi-year dispute. Should we be successful in this action, our intent is to deploy the funds on development of the Corani project – a win-win outcome that keeps the funds working within Peru and reduces potential dilution for the Company. Regardless of the timing of an arbitration decision and how that may or may not align with development of Corani, the Santa Ana project clearly provides a strong optionality for Bear Creek shareholders.

### Corporate

During 2016, we capitalized on the improved sense of confidence in the mining markets by attending numerous conferences and marketing trips to connect with our existing shareholders and generate interest in our story with potential new investors. Those efforts are continuing in 2017, as we work hard to get our story heard. And we believe we have a great story.

- Our Corani project is one of the largest undeveloped silver deposits in the world with approximately 230 million ounces of silver, 1.8 billion pounds of zinc and 2.8 billion pounds of lead in Proven and Probable Reserves\*;
- Corani is moving forward at a time of strengthening silver, lead and zinc prices and is highly leveraged to even moderate increases in metal prices;
- We have established exceptional community relationships and have Life of Mine agreements in place with the Corani communities;
- The Corani ESIA is approved and in hand;
- We have the financial strength to fund Corani through to a production decision; and
- There is a strong optionality to a Santa Ana arbitration award or settlement

We expect 2017 to be pivotal year for Bear Creek as we continue to de-risk the Corani project and move it toward development. As always, we remain nimble, open and alert to any and all opportunities to realize value for our shareholders.



We thank you for your continued support of Bear Creek Mining and we welcome your questions and comments anytime. Please visit our website [www.bearcreekmining.com](http://www.bearcreekmining.com) and SEDAR [www.sedar.com](http://www.sedar.com) frequently for news and information and copies of our public filings, and do not hesitate to contact us anytime for updates and clarifications.

Kind regards,

Catherine McLeod-Seltzer  
*Chairman of the Board*

Andrew Swarthout  
*President and Chief Executive Officer*

**Forward-Looking Statements:**

This letter contains forward-looking statements and information (collectively, “forward-looking statements”). Forward-looking statements relate to future events or future performance and by their very nature involve inherent risks and uncertainties, both general and specific, and risks exist that the estimates, forecasts, projections and other forward-looking statements expressed herein will not be achieved or that assumptions that underlie these statements do not reflect future experience. While the forward-looking statements express management’s best estimates, objectives, predictions, expectations or beliefs at the time they are made, a number of important factors could cause the actual outcomes to differ materially from those expectations expressed in forward-looking statement and undue reliance should not be placed on them.

Readers are encouraged to thoroughly review the risk factors described in the Company's most recent Annual Information Form, annual financial statements and management's discussion and analysis for the year ended December 31, 2016 and in the feasibility study entitled “Optimized and Final Feasibility Study, Corani Project, Puno, Peru, Form 43-101F1 Technical Report” dated effective May 30, 2015 and filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on July 17, 2015. 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.

**National Instrument 43-101 Disclosure**

All scientific and technical information contained in this letter has been reviewed and approved by Andrew Swarthout, P.Geo., the President and Chief Executive Officer of the Company, who serves as the "Qualified Person" within the meaning of National Instrument 43-101 ("NI 43-101"). All of Bear Creek's exploration programs and pertinent disclosure of a technical or scientific nature are prepared by or prepared under the direct supervision of Mr. Swarthout.

\*The 2015 Corani Feasibility Study was prepared by a team of independent engineering consultants. Daniel Neff, PE, of M3 Engineering and Technology Corporation (“M3”) acted as the Independent QP as defined by NI 43-101 and additionally is the QP responsible for the market studies, infrastructure, process plant capital and operating costs, economic analysis, conclusions and recommendations portions of the study. Tom Shouldice, PEng, independent consultant, is the QP for the metal recoveries and metallurgical testing sections. Rick Moritz, MMSA, Principal Mining and Process Engineer, of Global Resource Engineering (“GRE”) is the QP for portions of the metallurgical analysis. Terre Lane, MMSA, Principal Mining Engineer, of GRE is the QP for the resource and reserve estimation and mining methods and mine capital and operating cost portions of the study. Laurie Tahija, MMSA, of M3 is the QP for the plant process engineering portion of the study. Chris Chapman, PE of GRE is the QP for the geotechnical, environmental, infrastructure, waste stockpile and tailings designs. Christian Rios, CPG, independent consultant, is the QP responsible for geology and mineralization, exploration, drilling, sample preparation, analyses and security, data verification, mineral resource estimates and adjacent properties in the study. The methods used in determining and reporting the mineral reserves and resources referred herein are consistent with the CIM Best Practices Guidelines. Numbers may not total due to rounding.

Readers are encouraged to review the Optimized and Final Feasibility Study, Corani Project, Puno, Peru Form 43-101F1 Technical Report or the Company's news release of June 2, 2015, which are available on SEDAR ([www.sedar.com](http://www.sedar.com)) and the Company's website ([www.bearcreekmining.com](http://www.bearcreekmining.com)), for a thorough description of the Mineral reserves and Mineral resources estimated in the 2015 Corani Feasibility Study and of the methodology and assumptions used in their preparation.