



April 2016

LETTER TO SHAREHOLDERS

It is with a sense of optimism that we open our annual letter to you...optimism that metal prices and mining markets may have finally bottomed and turned a corner after what has been one of the deepest and longest-lived slumps in a generation or more. We are happy to report that shares of your Company have shown a decisive improvement in recent weeks and that precious metal prices are well off their lows. While we anticipate the recovery of the mining markets will see some turbulence along the way, we remain cautiously optimistic that the bear market has begun to correct. Our philosophy, however, is somewhat agnostic with respect to external conditions and our goals are longer term than market fluctuations tend to be; as always, we intend to watch for and take advantage of opportunities while being pragmatic and careful with our financial resources.

Bear Creek faces the coming year with many advantages. We have several years' working capital in our treasury; our 100% interest in the world class Corani Project leaves us extremely well-positioned; we are optimistic about our prospect of recovering substantial value locked up in our Santa Ana Project; and our team of experienced directors and management remain dedicated to steering the Company on its path to success. We are confident, and our recent share price performance attests, that Bear Creek can emerge from the market slump in a 'front-row' position, able to accelerate quickly and decisively as the market improves so as to re-build value for you, our shareholders.

Despite the difficult conditions over the course of 2015, it was a very productive year for Bear Creek, with significant headway made on both the Corani and Santa Ana Projects.

Corani

Bear Creek's Corani project, located in the Department of Puno, Peru, is one of, if not *the*, largest and longest life-span undeveloped silver-base metal deposits in the world and is the key driver for growth at Bear Creek.

The highlight of 2015 for the Corani project was the completion in June of a final optimized feasibility study (the "2015 Corani FS") that improved upon the mine plan and economics of the deposit envisioned in the previous Corani feasibility study conducted in 2011 by, most importantly, lowering the total capital costs, reducing the footprint and environmental impact, and optimizing the metal recoveries. The primary modifications and optimizations in the 2015 Corani FS include:

- Dry-stacking of tailings, which allows for elimination of a tailings impoundment, fresh water storage dams, most waste dumps, and decreased water usage
- Revision of the mine sequencing plan
- Enhanced metallurgical modeling with higher confidence in recovery predictions



- A more efficient configuration of infrastructure layouts and equipment selection

As a result of these modifications and optimizations, the Corani project will have lower operating costs, reduced total capital costs, improved metal recoveries, a smaller footprint, and less impact on the environment and local communities, which in turn reduces permitting risk.

The Corani deposit has Proven and Probable Reserves of roughly 228 million ounces of silver, 2.8 billion pounds of lead and 1.8 billion pounds of zinc (see NI 43-101 disclosure below). These reserves will provide for average annual production of over 8 million ounces of silver over an 18 year mine life, at all-in sustaining costs of US \$3.80 per ounce of silver net of base metal credits. Because of the geometry and grade distribution of the Corani deposit, the first five years of production are expected to be particularly strong, with silver production of over 13 million ounces per year at all-in sustaining costs of negative US \$0.15 per ounce net of base metal credits.

Corani will be a significant silver producer and a long-lived operation. While the 2015 Corani FS reduced the total capital requirements of the project to US \$664 million, the vast majority of the capital (US \$625 million) is required to construct the project, with only US \$39 million required for sustaining capital. However, though the capital requirements are front loaded, so too is the production sequence and as a result, payback for the initial capital is expected to occur within 3.6 years of the mine's start-up (see NI 43-101 disclosure below).

The 2015 Corani FS financial model is based on current Peruvian tax and royalty rates and on silver, lead and zinc prices of \$20.00/oz, \$0.95/lb and \$1.00/lb respectively, which represented the three-year backward and two-year forward metal prices at the time, weighted 60:40, in keeping with the Company's policy and industry standards. At these prices, the Corani project is extremely robust, with a net present value ("NPV") of US \$660 million (after tax and at a 5% discount rate), and an internal rate of return ("IRR") of 20.6% (after tax).

Subsequent to the release of the study, metal prices decreased drastically and are only recently showing early signs of a rebound. Even using recent silver, lead and zinc prices of \$17.00/oz, \$0.80/lb and \$0.87/lb respectively, Corani has a NPV of \$283 million and a 13.0% IRR. Add to this the very low all-in sustaining costs per payable silver ounce (net of by-products) and it is clear Corani is a valuable silver-base metal deposit that is very highly leveraged to silver; Corani's NPV increases US \$120 million for every US \$1 increase in the silver price! This incredible optionality has begun to garner market attention, particularly in light of the project's other favourable attributes, as we are not alone in our expectation that metal prices will eventually recover to levels assumed in the 2015 Corani FS.

In late 2015 Bear Creek submitted modifications (reflecting the 2015 Corani FS results) to its Environmental and Social Impact Assessment ("ESIA"), which was originally approved in September 2013. In mid-January Bear Creek 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 eventual Construction Permit. When the 2015 Corani FS results were released and modifications to the ESIA were being prepared, we took special care to communicate details of the revised mine plan to the local Corani communities. Bear Creek has worked very hard to build a respectful, transparent and open relationship with the people who live and work in the Corani district and as a result has fostered a strong social licence. The Corani Community members are extremely supportive of Bear Creek and the Corani project. One of the many ways this support has been demonstrated is



that local community members proactively and independently advocated to the appropriate government ministry for approval of the modified ESIA. We are very fortunate to enjoy such a strong level of community support and continue to work hard to demonstrate our commitment to our Corani neighbours and reciprocate their trust and friendship at every opportunity.

After completing the 2015 Corani FS, Bear Creek undertook an exploratory investigation of possible Corani project-financing scenarios. Feedback from a range of potential participants, including lenders, off-take partners, development banks, equity markets, and streaming partners aligned closely with the Company's internal conclusions; Corani is a financeable and buildable operation but will require significant upfront capital and improved metal and share prices to justify a development decision. We are keeping a close eye on market trends, particularly in light of the recent improvements in both precious metal prices and the climate for mining investment. In the meantime we are continuing to de-risk the project by acquiring key permits in preparation for an application for the Construction Permit that is ultimately required to commence development, while maintaining the excellent community relationships we have worked hard to build. Our goal is to ensure the necessary components are in place to make sound and nimble decisions for Corani when the opportunity arises.

Santa Ana

The Santa Ana project represents potentially significant but currently underappreciated value for Bear Creek. Since 2011 when the Government of Peru rescinded Bear Creek's right to operate the project, its value has been entirely written off by the markets, which belies its actual potential to positively impact the Company.

As you are likely aware, the Santa Ana project is currently the subject of an international arbitration claim under the Canada-Peru Free Trade Agreement being heard at the International Centre for Settlement of Investment Disputes ("ICSID"). During 2015 meaningful progress was made on this arbitration commencing with Bear Creek's filing of its Memorial (an initial statement of claim) in May 2015. The Government of Peru filed its Counter-Memorial (their response to our claim) in October 2015, our reply to which was filed in January 2016. Peru filed its final submission in mid-April 2016 and Bear Creek has the final opportunity to file a response related to Peru's jurisdictional objections in late May 2016. These written documents and other procedural matters to do with the arbitration are being made available on ICSID's website, generally within several weeks of their filing, and can be accessed at

<https://icsid.worldbank.org/apps/ICSIDWEB/cases/Pages/casedetail.aspx?CaseNo=ARB/14/21&tab=DOC>.

We and our legal counsel continue to believe that our case is very strong and clear. And while it theoretically should have no bearing on the outcome of the arbitration case, Peru's constitutional court agreed with Bear Creek in issuing its 2014 decision on an internal legal claim brought forth by the Company, which ruling stated unequivocally that: Bear Creek's constitutional rights were violated by Peru's rescission of our rights to operate at Santa Ana; that those rights must be unconditionally returned to Bear Creek; and, that Bear Creek is recognized as the title holder of the Santa Ana mining concessions. We also regard with interest ICSID's recent favourable rulings on other investor-state mining title disputes against other sovereigns and the (albeit often reluctant) states' payments of damage awards.



The Santa Ana arbitration is proceeding on track and on schedule. In-person hearings before the arbitration tribunal are scheduled to occur at ICSID headquarters in Washington, DC in September 2016, after which the tribunal will commence its deliberations. Though there is no prescribed deadline for the tribunal's decision, a ruling and award on Bear Creek's case is anticipated within the second half of 2017.

Prior to 2011, our anticipated strategy was to put Santa Ana into operation first and use the proceeds to help finance the Corani project development. While obviously much has changed, we continue to believe that Santa Ana may still contribute to development of the Corani project – by virtue of a damages award on the arbitration rather than from revenue. 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

We have been very fortunate to have had a robust treasury throughout the lengthy mining market downturn. By very judicious management of this cash we have been able to avoid dilutive financings and have had the wherewithal to significantly advance our assets over the course of the past several years. Throughout 2015 we had to make some difficult decisions in reducing staff levels and paring back all general and administrative costs to core necessities only. We continue to look for innovative ideas to maximize outcomes while minimizing costs and this approach will continue in 2016 with our goal being to make our existing treasury last for at least the next two years.

We believe we are well-positioned to generate value for shareholders:

- We have over 450 million ounces of silver in cumulative Proven and Probable Reserves (see NI 43-101 disclosure below) and are highly leveraged to improvements in silver and base metal prices;
- Our Corani project is one of a small handful of large, long-life, undeveloped silver deposits and stands alone by virtue of its substantial base metal credits and location in a mining-friendly jurisdiction;
- Corani is shovel-ready pending final permits and we have unrivaled community support for development of the project;
- We stand a considerable chance at unlocking value from the Santa Ana project, for which the Company's market capitalization reflects essentially no value;
- We have a proven and experienced board and management team;
- And we have longevity as a result of stewarding fiscal resources responsibly.

We believe our strategy of focusing on precious metal opportunities in Peru is well-founded. We have a wealth of experience and intellectual capital exploring, developing and operating mineral deposits and mining operations in the country, a deep sense of cultural and environmental sensitivity, and a strong and extensive network of contacts and advisors. We also take comfort in the Peruvian people's commitment to democracy and a strong and open economy. At the time of this writing, Peru has completed its first round of 2016



presidential elections resulting in Keiko Fujimori and Pedro Pablo Kuczynski heading to a runoff election to be held June 5, 2016. Either candidate will represent a continued focus for the country on free-market economies with strong support for foreign investments and mining development. Importantly, congress will have a solid majority of moderate, pro-business representatives which we believe will allow the Peruvian government to continue on its path of being the strongest economy in South America. We further believe that this bodes well for the continued development of Corani and the resolution of Santa Ana, whether through an arbitration award or a negotiated settlement process.

Both Corani and Santa Ana are projects that could enable the Company to achieve its goal of becoming a significant silver producer in the near term. Likewise, these projects host deposits that could have a tremendous impact on reserves and resources of any producing company, and so we remain 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 and SEDAR 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, 2015 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) 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.Geol., 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 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 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, PE, 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 were prepared by. The methods used in determining and reporting the mineral reserves and resources referred herein and presented in their entirety below 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 NI 43-101 Disclosure in the Company's news release of June 2, 2015 for a thorough description of the methodology and assumptions used in the preparation of the 2015 Corani FS results including the Mineral Reserves and Mineral Resources below and the economic and financial results described elsewhere in this letter.

Mineral Reserves									
					Contained Metal			Equivalent Ounces	
Category	Tonnes (000's)	Silver g/t	Lead %	Zinc %	Silver Million oz	Lead Million lb	Zinc Million lb	Eq. Silver M oz	Eq. Silver g/t
Proven	19,855	69.1	1.09	0.72	44.1	478.7	313.4	82.5	129.2
Probable	117,843	48.6	0.88	0.57	184.3	2,289.2	1,470.7	366.5	96.8
Proven & Probable	137,698	51.6	0.91	0.59	228	2,768	1,784	449	101.4

Mineral Resources in Addition to Reserves								
					Contained Metal			
Category	Tonnes (000's)	Silver g/t	Lead %	Zinc %	Silver Million oz	Lead Million lb	Zinc Million lb	
Measured	14,360	32.01	0.34	0.19	14.8	108.4	61.6	
Indicated	83,749	25.37	0.37	0.28	68.3	682.2	512.8	
Measured & Indicated	98,109	26.34	0.37	0.27	83.1	790.6	574.4	
Inferred	39,953	37.20	0.58	0.40	47.8	510.6	352.4	