

ANNUAL LETTER TO SHAREHOLDERS

April 26, 2022



Dear Shareholders,

Challenge and opportunity were the themes of 2021 for Bear Creek Mining. As we write to you today, **Bear Creek is a stronger company with greater control over its destiny than it was at the dawn of 2021.**

The ongoing social and economic effects of COVID-19, political uncertainty in Peru, negative market sentiment toward single asset development companies, inflationary pressure, and global unrest are just a few of the developments during the year that challenged your company. These challenges prompted us to re-evaluate the trajectory Bear Creek was on and to seek solutions that presented new opportunities while preserving our existing strengths. We are thrilled to have identified just such an opportunity and are proud to have now become the new owner and operator of the Mercedes gold-silver mine in Sonora, Mexico. Our rationale for acquiring Mercedes is set out below.

Our Corani silver project in Peru is a world-class asset and its bona fides are well known. Corani is one of the largest development stage silver deposits in the world. It, alone, will produce more silver annually than many primary silver companies produce from their multiple mines and will do so for a minimum of 15 years at very low all-in sustaining costs. It is fully permitted, and enjoys an enviable level of community support.

Corani is a jewel; however, it can not be brought to fruition without substantial capital. Entering into 2021 we were engaged in arranging a \$425 million senior secured debt facility supplemented with up to \$100 million of subordinated debt. The construction capital estimated in our 2019 Corani feasibility study amounted to \$580 million. With financing costs and inflation increases the estimated capital requirement was creeping into the \$700 million range, which would necessitate a dilutive equity funding in the order of \$175 million prior to drawdown of debt funds.

Debt financing progress slowed mid-year following the results of Peruvian presidential and congressional elections. On June 6, 2021, Pedro Castillo of the left-wing Peru Libre party – a teachers' union leader with little political experience - was elected as President of Peru. The 130 seats in Peru's congress were filled by candidates from a range of parties with no one party or faction holding the balance of power. In this environment both management and potential investors adopted a “let’s wait and see” approach.

Since President Castillo took office on July 28, 2021, he has been the subject of two impeachment proceedings, more than 80 ministers he assigned to his cabinet have been replaced, often with increasingly inexperienced appointees, and notably for the Peruvian mining industry, several key people in ministries important to the effective management of mining and energy, environmental matters, health and safety, and law enforcement have resigned or been forced out of office. It is our observation that this unstable political environment coupled with the President and his cabinet's mixed messages on policy, has deteriorated the climate for foreign investment in Peruvian assets. This reality affected the timeline for

Corani project financing and as a single asset Peruvian development company it negatively affected our share price.

Unwilling to leave our shareholders' pathway to success subject to factors outside of our control, **we took action.** Bear Creek has long been on the look out for potential accretive project acquisitions and was fortunate to be the successful bidder for the Mercedes Mine. We believe Mercedes' value has improved since we entered into the agreement to purchase the mine in December 2021, as in the current environment of supply chain issues and high inflation, Mercedes' infrastructure could not be replaced for the total acquisition consideration we paid.

The Mercedes acquisition is truly transformational. It:

- Adds a high quality, low cost, operating asset to our project portfolio
- Provides a source of free cash flow to help fund development and construction of the Corani project
- Offers excellent near-mine and regional exploration upside
- Diversifies our asset base with a mix of jurisdictions, project stages and commodities while retaining a precious metals focus
- Creates an opportunity for re-rating of the Company's shares to align with junior precious metals producers, and
- Enhances the Company's share registry and market profile with the addition of two new strategic stakeholders

The Mercedes Mine will generate free cash flow that we intend to use as a non-dilutive source of funding for the Corani project financing and to further explore the Mercedes property. With a strong track record of exploration success, consistent historical replacement of ore reserves, and vast areas of the property unexplored, we believe Mercedes offers exploration upside with the potential to expand known reserves and extend the mine life beyond current projections, with ample spare mill capacity for expansion of production. Our integration of Mercedes has begun, and we are very excited about this new chapter for Bear Creek. We encourage you to review our Annual Information Form dated April 26, 2022 (available on our website and on SEDAR) for more information about Mercedes.

While project financing efforts continue, our mission is to maintain Corani's optionality and ensure it is ready to proceed to a construction decision when conditions allow. To this end, during 2021 our efforts were focused on maintaining Corani's strong social licence, completing early works projects including construction of the Antapata electrical substation, installation of electrical transmission lines, and improvement of access roads, and completing engineering designs and mine plans.

Following our completion of the Antapata substation during 2021 we began pre-operative studies, regulatory compliance, and the application for permits required to connect the substation to the national electrical grid. This permitting process, which relies on an audit by the Peruvian electricity regulator, is expected to conclude in late 2022. The substation, once connected to the Peruvian national energy grid, will transform 138 kilovolts ("kV") energy to 22.9kV energy for distribution to the town of Macusani via connection to the Macusani municipal grid at the town of Isivilla. This connection requires that the Peruvian government authorities upgrade the local electrical infrastructure. This work is underway and upon completion the substation and power line will be commissioned.

The Antapata substation will also direct medium tension power and high speed internet service to numerous villages in the Corani District through an electrical transmission line and fiber optic cable, the first

6.5 km of which is under construction. This transmission line, once extended to the Corani site, will also be used to deliver high tension power and high speed internet to the Corani mine. By the end of 2021 we had installed 7 of 17 transmission towers planned for this early works program, and procured the materials and laid the foundations for the remaining 10 towers.

During 2021 and continuing to date, we maintained strict protocols to mitigate the risk of COVID-19 transmission. A rapid response health care center in the community of Isivilla was installed to provide local, specialized therapy for COVID-19 infection, including oxygen concentrators and ten treatment beds.

COVID-19 affected communities throughout the world during 2021 and into 2022 above and beyond infection incidence levels. Employment levels and opportunities were reduced, educational opportunities were lost, and over-stressed medical personnel and facilities were unable to provide traditional levels of care. Our early works construction projects described above generated local employment, which helped families re-establish income lost to the economic downturn caused by the pandemic and we provided education and basic necessities to combat COVID-19 to the local communities on a continual basis, allowing the area to be the first to open in-person education for children in the region.

On behalf of our Board of Directors and the entire Bear Creek team, we thank you for your continued support of Bear Creek Mining. Please visit our website (www.bearcreekmining.com) frequently for news and information and copies of our public filings. We genuinely welcome your questions and comments so please do not hesitate to contact us anytime at info@bearcreekmining.com or +604-685-6269.

With best regards,



Tony Hawkshaw
President and CEO



Catherine McLeod-Seltzer
Chair

Please review our Annual Information Form for the year ended December 31, 2021, for information about the Company's activities during 2021 and for important Cautionary Notes regarding Forward-Looking Information that are included in this Letter to Shareholders.