

**BEAR CREEK MINING CORPORATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

***Introduction***

The following Management's Discussion and Analysis ("MD&A") of Bear Creek Mining Corporation (the "Company" or "Bear Creek") was prepared on April 19, 2017 and should be read in conjunction with the consolidated financial statements of the Company for the period ended December 31, 2016. 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 by pursuing full restitution, through international arbitration, of damages caused by the Peruvian government's expropriation of the project. 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. Geo., President and CEO, who serves as the Qualified Person 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) Sumi Gold Prospect
  - 4.3+
- ) 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 financial statements and management's discussion and analysis for the year ended December 31, 2016, in the feasibility study technical report for the Corani project dated July 17, 2015 as filed on the SEDAR website (available at [www.sedar.com](http://www.sedar.com)), and in the Company's most recent annual information form. 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) 2016 Highlights**

On July 26, 2016, the Company completed a bought deal short form prospectus financing (the "Offering") through a syndicate of underwriters, at a price of Cdn \$3.00 per Common Share for gross proceeds of Cdn \$26,001,000. The Underwriters also exercised their over-allotment option to acquire an additional 1,300,050 Common Shares for additional gross proceeds of Cdn \$3,900,150. Including the proceeds from the exercise of the over-allotment option, the total gross proceeds of the Offering were Cdn \$29,901,150 (\$22,638,161) with a total of 9,967,050 Common Shares being issued. The Underwriters received a cash fee equal to 5% of the gross proceeds of the Offering. The funds raised in the Offering will be used primarily to accelerate the development of the Company's flagship Corani silver-lead-zinc project by: completing detailed engineering required to secure a Construction Permit; commencing various pre-construction and infrastructure initiatives; and solidifying its strong social license and community relationships. A minor portion of the proceeds will be used for general working capital purposes.

### **Corani Project:**

In late 2015 Bear Creek submitted modifications (based on the results of the Corani FS) to its Environmental and Social Impact Assessment ("ESIA") originally approved in September 2013. In January 2016, 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.

On November 14, 2016, the Company announced that it had awarded the Detailed Engineering contract to GMI SA Ingenieros Consultores ("GMI"), a company owned by the prominent Peruvian engineering and construction firm Graña y Montero Group ("G&M"). The Phase I Detailed Engineering work commenced in mid-November and is expected to require 6 months to complete at a cost of approximately \$3.2 million (including taxes). It 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. Bear Creek and G&M

have indicated a mutual interest in considering various partnership structures for construction and operation of the Corani mine, which will be further contemplated upon completion of the Phase I Detailed Engineering. The Company anticipates the Phase I Detailed Engineering to be completed by the end of the second quarter of 2017 and the Construction Permit to be in place by the middle to late 2017 such that a construction decision could be made before the end of 2017 (which decision will be contingent upon successful project financing, securement of all necessary permits, and market conditions).

During the first quarter of 2017 the Company engaged project finance consultants with whom it will work to develop a financing structure for the Corani project. The Company is also completing an IGTV recovery contract with the MEM which it expects to sign in Q2 2017. The contract will allow the Company to recover its 18% value added taxes on equipment and services purchased during the engineering and construction phases, resulting in savings of approximately \$80M over the course of the two-year build out of the project, once a construction decision is made.

The Company will continue to maintain the community relationships it has worked hard to foster, and will continue to de-risk the project by acquiring the various other permits in preparation for an application for the Construction Permit which is ultimately required to commence development. The Company's goal is to ensure the necessary components are in place to allow the Company to move the Corani project forward should future conditions warrant a development decision. Additionally, over the coming 18 months, the Company plans to commence various pre-construction and infrastructure initiatives such as power and access road works prior to the issuance of the final Construction Permit.

For more details, see section 3.1

### **Santa Ana Project:**

The Santa Ana investor-state arbitration (the "Arbitration") against the Peruvian government, being heard at the International Centre for Settlement of Investment Disputes ("ICSID") is proceeding on schedule. Through this Arbitration, the Company 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. The total damage award being sought, including interest, is \$525M. Key written documents, including Bear Creek's Memorial on the Merits (the initial statement of Bear Creek's claim and the relief sought), Peru's Counter-Memorial, and various Replies and Rejoinders, were filed with ICSID between May 2015 and May 2016. An in-person hearing before the Arbitration Tribunal took place in Washington D.C. between September 7 - 14, 2016, during which time witnesses and experts called by both the Company and the Republic of Peru (together, the "Parties") provided oral testimony, were cross-examined by counsel for the opposing party, and answered questions posed by the tribunal of three arbitrators (the "Tribunal") Final written post-hearing memorials in support of each party's respective position were submitted to ICSID in December 2016 and February 2017. After the Tribunal officially closes the proceedings it will commence deliberations, and a decision on Bear Creek's case is anticipated within the second half of 2017, although there is no prescribed deadline for the tribunal's ruling.

For more details, see section 3.2

### **Maria Jose Project:**

As previously reported, the Company (through its Peruvian subsidiary INEDE) decided to seek an appropriate partner to advance this highly prospective district in order to preserve the Company's cash. The Company previously reported that an earn-in agreement has been entered

into 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, at its sole cost, in order to earn a 51% undivided interest in the mineral concessions. Following AMS earning its 51% interest, the two parties will form a joint venture agreement with standard terms including shared pro-rata costs going forward and standard dilution clauses should either party not participate in funding. AMS has secured surface rights agreements with the local community and is currently constructing an access road to the tunnel portal sites. To date, AMS has applied for all the necessary permits from the regional government of Ancash and is constructing the access roads to reach the tunneling portals. Tunneling is expected to begin in Q3 2017. This tunneling program is designed to test the continuity of gold mineralization and define resources for potential production.

### **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 year months ended December 31, 2016, the Company incurred expenses of \$4.3 million on the Corani project. Included in this total are; detailed engineering costs of \$1.1 million, camp, supplies and logistics of \$1.1 million; community contribution activities totaling \$0.4 million; and salaries and consulting of \$1.5 million.

The Company had \$77.2 million of capitalized acquisition costs related to the Corani project as of December 30, 2016 (December 31, 2015 \$77.2 million).

The Company has budgeted total expenditures for the Corani project of \$11.3 million for 2017, which includes the beginning of Phase I engineering costs, surface rights acquisitions early works projects, community contributions, permitting and camp costs.

A number of economic studies of the Corani deposit have been conducted in the past, including most recently, the feasibility study entitled "Optimized and Final Feasibility Study, Corani Project, Puno, Peru, Form 43-101F1 Technical Report" filed on SEDAR in July 2015 (the "2015 Corani FS"), which updates and optimizes the Corani mine plan outlined in a previous feasibility study dated December 22, 2011 (the "2011 Corani FS"). A summary of the results of the 2015 Corani FS results is presented below. An ESIA was approved by the government of Peru in 2013 and modifications to the ESIA reflecting the results of the 2015 Corani FS were approved by the Peruvian Ministry of Energy and Mines in January 2016.

##### ***Summary of 2015 Corani Feasibility Study***

The 2015 Corani FS, led by M3 Engineering & Technology Corporation ("M3"), Tucson, AZ with support by Global Resource Engineering ("GRE"), Denver, CO and others, 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 an estimated 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 \$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 \$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 an estimated \$664 million, the vast majority of the capital (\$625 million) is required to construct the project, with only \$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 an estimated \$660 million (after tax and at a 5% discount rate), and an internal rate of return ("IRR") of 20.6% (after tax). 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 \$120 million for every \$1 increase in the silver price.

Complete details of the 2015 Corani FS are provided in the Company's Management Discussion and Analysis for the year ended December 31, 2015, in its news release dated June 2, 2015, (both of which are available on the Company's website ([www.bearcreekmining.com](http://www.bearcreekmining.com)) and SEDAR ([www.sedar.com](http://www.sedar.com))) and in the Technical Report entitled "Optimized and Final Feasibility Study, Corani Project, Puno, Peru, Form 43-101F1 Technical Report" filed on SEDAR on July 20, 2015. Readers are encouraged to refer to these documents for a thorough description of the 2015 Corani FS results.

### ***Social and Environmental***

The Company has maintained excellent 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 100% of the surface rights covering

the mine, waste dumps and plant. The Company is working with the Peruvian government to provide the access rights for the ancillary facilities including the access roads and power.

Importantly, the Company completed a Life of Mine Investment Agreement 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 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 \$1.3 million per year), beginning with the first installments 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. Despite the Corani project having not yet reached the development triggers requiring the commencement of payments under the LOM agreements, the Company continues to fund the community agreement and has paid over \$2M as permitting progresses towards a construction permit in the second half of this year.

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 Company will continue to cultivate the social license it has earned with the Corani communities by maintaining the open, honest, and transparent relationships it has established and by continuing its funding of the community trust established through the LOM Agreement.

The Corani project is designed to meet and, in many ways exceed, international standards of environmental compliance. The design and operating improvements incorporated in the 2015 Corani FS required only a modification of the existing approved ESIA, without the necessity for additional public hearings, as they are entirely located within the previously approved project footprint. Furthermore, as the environmental impact of the proposed Corani operation has been reduced as a result of the modifications described above, the Company anticipates final permitting timelines will shorten and costs will be lower than previously anticipated. The Corani ESIA was modified in late 2015, and the Company received approval of the revised ESIA, which incorporates the optimizations and modifications included in the 2015 Corani FS, from the Peruvian Ministry of Energy and Mines in January 2016.

## ***Going Forward***

Bear Creek's plans for the Corani project are to focus on preparing for development of the project by: completing Phase 1 Detailed Engineering studies; securing the remaining required permits including the water permit, power line alignment permits, access road and mine plan permits; and, developing a project finance scenario to fund future Corani development and construction costs.

As stated above, the Company selected GMI SA Ingenieros Consultores ("GMI"), a company owned by the prominent Peruvian engineering and construction firm Graña y Montero Group ("G&M"), to undertake Phase I Detailed Engineering work at the Corani project. The Phase I Detailed Engineering work commenced in mid-November and is expected to require 6 months to complete at a cost of approximately \$3.2 million (including taxes). It 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. Concurrently, the Company will engage a project finance consultant with whom it will work to develop a financing structure for the Corani project.

The Company expects the Phase I Detailed Engineering to be completed by the end of Q2 2017. Evaluation of the Construction Permit application, based on the results of the Phase I Detailed Engineering and securement of all necessary permits, is anticipated to take between three and six months. The Company hopes to have the Construction Permit in the second half of 2017 such that a construction decision could be made before the end of 2017 (which decision will be contingent upon successful project financing, securement of all necessary permits, and market conditions). Bear Creek and G&M have indicated a mutual interest in considering various partnership structures for construction and operation of the Corani mine, which will be further contemplated upon completion of the Phase I Detailed Engineering.

Included in the Use of Proceeds of the Company's July 2016 Offering are selected pre-construction initiatives, which may include site access road construction, power line construction, and pre-production stripping. The Company anticipates undertaking certain pre-construction initiatives over the coming 18 months. Efforts are being made to secure the participation of the Peruvian government in partially funding power and access initiatives, which may reduce the Company's CapEx requirements and reduce the budgets in these areas.

Following approval of the modified ESIA in early 2016, the Company commenced the process of seeking additional permits for Corani, including the water use and mine plan permits for which the amended ESIA formed a key component. The Company also engaged a project financing consultant in early 2017, with whom it is working to develop and solidify a financing structure for the projected Corani project construction costs. The goal of these engineering, permitting and financing activities is to ensure Bear Creek has the information, permits, approvals and relationships in place to consider a construction decision by the end of 2017 (which decision will be contingent upon successful project financing, securement of all necessary permits, and market conditions).

### ***National Instrument 43-101 ("NI 43-101") Disclosure:***

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 Andrew Swarthout, P.Geo., President and CEO, a Qualified Person ("QP") as defined in NI 43-101.

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. Each of these individuals has read and approves the respective scientific and technical disclosure contained herein.

The methods used in determining and reporting the mineral reserves and resources presented herein are consistent with the CIM Best Practices Guidelines. Numbers may not total due to rounding.

**Corani Reserve and Resources Estimates**

<b><u>2015 Corani Feasibility Mineral Reserves</u></b>									
					<b>Contained Metal</b>			<b>Equivalent Ounces</b>	
<b>Category</b>	<b>Tonnes (000's)</b>	<b>Silver g/t</b>	<b>Lead %</b>	<b>Zinc %</b>	<b>Silver Million oz.</b>	<b>Lead Million lb.</b>	<b>Zinc Million lb.</b>	<b>Eq. Silver M oz.</b>	<b>Eq. Silver g/t</b>
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	228.0	2,768.0	1,784.0	449	101.4

<b><u>2015 Corani Feasibility Study Mineral Resources in Addition to Reserves</u></b>							
					<b>Contained Metal</b>		
<b>Category</b>	<b>Tonnes (000's)</b>	<b>Silver g/t</b>	<b>Lead %</b>	<b>Zinc %</b>	<b>Silver Million oz.</b>	<b>Lead Million lb.</b>	<b>Zinc Million lb.</b>
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

Assumptions used in the 2015 Corani Feasibility Study Mineral Reserve estimate and economic analysis by GRE and M3 are:

- Silver Price=\$20.00/oz.; Lead Price=\$0.95/lb.; Zinc Price=\$1.00/lb.
- Variable NSR cut-off values from \$11/tonne to \$23/tonne at different times in the production schedule to manage mill requirements and maximize project economics.
- Metallurgical testing of the Corani ore started in 2005 and over 500 batch floatation tests were completed since. The previous interpretation of test results was a classification of recovery performance into 4 "metallurgical types" from 9 mineralization ore codes applying an average recovery to each metallurgical type. These groups exhibited a large variation in flotation recovery. Recent analysis of metallurgical test work indicates that recovery is strongly related to the presence and/or absence of oxide minerals. Using advanced statistical methods (including classification cluster analysis and nonparametric regression analysis), zinc grade, mineralogy from geologic logs, and elevation were identified as good indicators of oxidation and as a result, good predictors of recovery. These parameters were used to develop statistical numerical models to much more accurately predict recovery. Validation testing shows the new model projections of recovery closely fit all available metallurgical test work data.

- The new recovery model was used for pit optimization, mine planning, and production scheduling. The overall result was approximately 8% increase in silver and zinc recovery and an 8% decrease in lead recovery from those cited in the 2011 Feasibility Study.

The Mineral Resource pit shell is a Whittle pit based on the following input assumptions:

- Silver Price=\$30.00/oz.; Lead Price=\$1.425/lb.; Zinc Price=\$1.50/lb.
- Mixed oxide material that was not economic by flotation processing was not included in the Mineral Reserves, however, this material is included in the Mineral Resources.
- The Mineral Resource cut-off was \$9.49/tonne processing cost, plus \$1.51 G&A cost which represents the internal process cut-off.
- The potentially leachable mixed oxide material that fell within the Mineral Resource pit shell was included as a silver resource cut-off grade of 15g/tonne and block elevation above 4900 meters.
- Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.

All diamond drilling at Corani 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 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 and 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 Santa Ana silver project ("Santa Ana") is located 120 kilometers southeast of the city of Puno, Department of Puno, Peru at an elevation of 4,150 to 4,300 meters. The project encompasses 5,400 hectares of mineral concessions acquired in full compliance with Peruvian law, as was confirmed by Supreme Decree 083, issued by the President of Peru and the Council of Ministers on November 29, 2007. After acquiring the Santa Ana project, the Company conducted surface exploration and drilling programs and completed various economic studies and community engagement initiatives, including an ESIA and a feasibility study on the Santa Ana project that was completed in January 2011.

However, on June 25, 2011, the Official Gazette "El Peruano" published Supreme Decree DS-032-2011 (the "2011 Supreme Decree") that revoked 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. While title to the concessions continues to be held by the Company, the 2011 Supreme Decree rescinded, without legal grounds or an opportunity to be heard, the Company's rights to operate on the concessions. As such, the Company ceased all exploration, permitting and community work on the Santa Ana project in 2011. After applying its best efforts over several years to negotiate a settlement with the Peruvian government wherein the Company's rights to operate the Santa Ana project would be re-instated it became clear the Government of Peru did not share the Company's goal of resuming advancement of the Santa Ana project, and in 2014 the Company commenced the Arbitration pursuant to the Canada-Peru Free Trade Agreement ("FTA") and subject to ICSID convention rules. The Arbitration, wherein the Company is seeking a monetary damages award resulting from Peru's breaches of provisions under the FTA and international law, is now nearing completion. A negotiated settlement has

become highly unlikely and the Company currently has no plans or expectations to revive exploration or development of the Santa Ana project.

A summary of the events following the issuance of the 2011 Supreme Decree and in respect of the Arbitration is provided below.

#### *Background of legal action at Santa Ana, Recent Developments 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 was to seek a determination that the 2011 Supreme Decree violates the Company's rights under the Peruvian Constitution and is therefore unlawful. 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 with the international arbitration proceeding described below, as required by the Free Trade Agreement between Canada and Peru ("Canada-Peru FTA"), the Company discontinued the Amparo action it had commenced against the Peruvian Government with respect to the 2011 Supreme Decree.

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, which 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 August 11, 2014, and after the six-month negotiation period under the Canada-Peru FTA 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.

The Company submitted 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. In its Memorial on the Merits, the Company articulated factual and legal arguments supporting its claims against the Peruvian Government. In its Memorial on the Merits, the Company also calculated the damages sustained with respect to the expropriation of Santa Ana as the Fair Market Value ("FMV") of the Santa Ana project on the date immediately prior its expropriation by the Government. The Company estimated the FMV of the Santa Ana Project at \$224.2 million as of June 23, 2011 using the discounted cash flow analysis ("DCF), excluding interest. The Company also estimated the damages to Corani resulting from Peru's expropriation of Santa Ana at \$170.6 million, excluding interest. Accordingly, the Company requested that the Tribunal award it the sum of \$522.2 million, which includes pre-award interest of 5.0% per annum, compounded annually, up to the estimated date of the award (March 15, 2017). Peru submitted its Counter-Memorial on October 6, 2015. Various written responses and rejoinders were subsequently filed by the Company and the Republic of Peru in advance of the in-person hearings before the Arbitration Tribunal, which took place in Washington D.C. between September 7 - 14, 2016. During the hearings, witnesses and experts called by both the Company and the Republic of Peru (together, the "Parties") provided oral testimony, were cross-examined by counsel for the opposing party, and answered questions posed by the tribunal of three arbitrators (the "Tribunal"). Final written post-hearing memorials in support of each party's

respective position were submitted to ICSID in December 2016 and February 2017. The parties are currently awaiting the Tribunal to officially close the proceedings and commence deliberations. A decision on Bear Creek's case is anticipated within the second half of 2017, although there is no prescribed deadline for the tribunal's ruling.

The aforementioned filings are available on ICSID's website at <https://icsid.worldbank.org/apps/ICSIDWEB/cases/Pages/casedetail.aspx?CaseNo=ARB/14/21&tab=DOC>.

During the year ended December 31, 2016, the Company incurred expenditures of \$0.3 million on the Santa Ana project in addition to ongoing legal related costs associated with its submissions for its international arbitration case amounting to \$4.0 million.

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

The Company had reduced its exploration activities over the past several years, as a result of difficult market conditions, in order to preserve cash, while still maintaining its obligation requirements under Joint Venture ("JV") agreements. The Company maintains a core exploration staff in order to manage its joint venture exploration projects. The Company has budgeted \$0.9 million for these exploration programs in 2017.

##### **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.

In early 2015, the Company 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 SAC ("AMS"); a successful 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. Following AMS earning its 51% interest, the two parties will form a joint venture agreement with standard terms. The primary purpose of this alliance was to reduce Bear Creek's exploration costs while maintaining a meaningful ownership in partnership with a solid partner.

Under the original option agreement (subsequently renegotiated and now effectively exercised) with a private Peruvian third party, Bear Creek Mining was to acquire 100% of Maria Jose (3,500 hectares) by making escalating payments totaling \$4 million over 4 years. Instead, in December 2015, Bear Creek and AMS made a negotiated purchase payment of \$1.2M to the underlying owner acquiring a 100% interest in the company holding the mineral concessions. As a result,

the Company and AMS now jointly own a 100% interest in the Maria Jose concessions. There are no underlying royalties; however, under the purchase agreement, BCMC and AMS are obligated to pay an additional \$2.1M on commencement of commercial production. This additional payment has no time limits.

AMS has secured surface rights agreements with the local community and is currently constructing an access road to the planned tunnel portal sites. To date, AMS has applied for all the necessary permits from the regional government of Ancash. Tunneling is expected to begin in Q3 2017. The tunneling program is designed to explore for high-grade gold mineralization in the veins and establish resource potential.

#### **4.2) 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.

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. Following JOGMEC's earn-in, 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.

Currently, JOGMEC has two diamond drill holes scheduled to commence in Q2/Q3 2017, following which it is expected that JOGMEC will make a decision to proceed or not with the joint venture agreement. All necessary community agreements are in place and JOGMEC is awaiting the approval of the environmental permits.

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

Generative exploration has historically been a crucial part of the business of identifying and acquiring new opportunities. However, as a result 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 \$0.7 million represents IGV that was paid to the Peruvian Government during the period ended September 30, 2016. 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 December 31, 2016 being \$13.1 million (44.0 million soles). IGV credits can be carried forward indefinitely.

In November 2016, the Company submitted an application to the Peruvian Ministry of Energy and Mines (“MEM”) for accelerated recovery of the 18% value added tax (IGV) that applies to the Company’s planned future investments in the Corani project. Pending approval of the application, a contract with the MEM will be executed after which the Company will be able to recover, on an expedited basis, the IGV taxes associated with its Corani capital investments as described in the approved ESIA and the 2015 Corani FS.

#### *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**

*Year ended December 31, 2016 as compared to the year ended December 30, 2015.*

For the year ended December 31, 2016 the Company incurred a net loss of \$11.3 million and a loss per share of \$0.12 which was significantly lower than the net loss of \$14.8 million and the loss per share of \$0.16 for the year ended December 31, 2015. This is a result of the efforts of the Company to reduce expenses to only the core necessities for the first six months of the year. This cost reductions were offset by increased spending on the Santa Ana arbitration as a result of the arbitration tribunal taking place in September 2016.

In the year ended December 31, 2016, spending on the Corani property decreased by \$2.9 million and the Santa Ana arbitration costs increased by \$1.6 million in comparison to the year ended December 31, 2015. The cost of preparing the updated Corani FS in the prior year were significant and were not incurred in 2016. The Santa Ana costs were higher due to the cost associated with the international arbitration, including the arbitration held in September 2016 and the required submissions filed in January and May 2016. There was also a decrease of \$0.7 million in exploration and evaluation costs relating to other properties. The Company had a foreign exchange gain of \$0.2 million in the current year compared to a \$1.1 million loss in the comparative period. The foreign exchange gain and loss is primarily attributed to the Company maintaining a portion of its cash reserves in Canadian dollars. Since December 31, 2015, the Canadian dollar has strengthened relative to the US dollar.

*Three months ended December 31, 2016 as compared to the three months ended December 31, 2015.*

For the three months ended December 31, 2016 the Company incurred a net loss of \$3.3 million as compared to a net loss of \$2.9 million for the three months ended December 31, 2016, an increase of \$0.4 million. The Company’s loss per share for Q4 2016 was \$0.03, as compared to a loss per share of \$0.03 for Q4 2015.

During the three months ended December 31, 2016, spending on the Corani property was \$1.7 million which was an increase of \$0.7 million from the \$1.1 million spent in the three months ended December 31, 2015. The Corani costs were higher in the current quarter due to the costs associated with the Phase I detailed engineering which commenced in the fourth quarter of 2016. The Santa Ana arbitration costs decreased by \$0.5 million to \$0.5 million from \$1.0 million as the Company prepared for and had its arbitration case heard in September 2016, and the costs subsequent to September 2016 should be materially reduced compared to previous periods. There was an increase of \$0.2 million in exploration and evaluation costs relating to other properties, which primarily relates to IGV cost associated with expenses in Peru and a \$0.1 million

increase in share-based compensation expense. The increase in share-based compensation was due to an increase in the share price as well as timing.

### *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
4 <sup>th</sup> Quarter 2016	Nil	\$3.3	\$0.03
3 <sup>rd</sup> Quarter 2016	Nil	\$3.4	\$0.03
2 <sup>nd</sup> Quarter 2016	Nil	\$3.0	\$0.03
1 <sup>st</sup> Quarter 2016	Nil	\$1.6	\$0.02
4 <sup>th</sup> Quarter 2015	Nil	\$2.9	\$0.03
3 <sup>rd</sup> Quarter 2015	Nil	\$3.3	\$0.04
2 <sup>nd</sup> Quarter 2015	Nil	\$4.0	\$0.04
1 <sup>st</sup> Quarter 2015	Nil	\$4.6	\$0.05

The increase in loss in the 3<sup>rd</sup> quarter of 2016 relates primarily to the increase in costs associated with the Santa Ana arbitration.

The increase in loss in the 2<sup>nd</sup> quarter of 2016 relates to the increase in costs associated with the Santa Ana arbitration as well as an increase in stock based compensation expense as a result of options granted during the quarter.

The decrease in loss in the 1<sup>st</sup> quarter of 2016 relates to the Company focusing on minimizing its overall expenditures in order to preserve its cash position. Except for the costs associated with the Santa Ana arbitration, all costs were reduced during the three months ended March 31, 2016.

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.

### *Selected Annual Information*

The following table sets out selected annual financial information of the Company and is derived from the Company's audited consolidated financial statements for the years ended December 31, 2016, 2015 and 2014. The presentation currency is the US dollar.

	2016	2015	2014
Revenues	Nil	Nil	Nil
Loss for the year (in millions)	\$11.3	\$14.8	\$16.9
Loss per share (basic and diluted)	\$0.12	\$0.16	\$0.18
Total assets (in millions)	\$108.6	\$98.7	\$112.8
Total non-current financial liabilities (in millions)	\$0.4	\$0.5	\$0.7
Dividends declared	Nil	Nil	Nil

## 6) Liquidity and Capital Resources

Of the \$29.8 million in cash and cash equivalents and short term investments, as of December 31, 2016, approximately \$4.2 million (CDN\$5.6 million and Soles 0.3 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 2017 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. In the current year, the Company had a cash outflow from operating activities of \$11.0 million compared to \$13.5 million in the comparative period in 2015. This reduction is primarily a result of reduced exploration activities in the Company.

On July 26, 2016, the Company closed the bought deal financing and the Company received gross proceeds of CDN\$29.9 million or \$22.6 million.

As of December 31, 2016, the Company's net working capital was \$29.4 million compared to net working capital of \$18.6 million as of December 31, 2015. Cash and cash equivalents and short term investments at December 31, 2016 totaled \$29.8 million compared to \$19.4 million as of December 31, 2015. The increase is a result of the financing, net of expenditures for costs associated with the Santa Ana arbitration, ongoing Corani evaluation costs and other operating activities during the year, as well as 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. The Company has budgeted costs of \$14 million in 2017.

The Company has incurred expenses related to the use of net proceeds from the July 2016 prospectus of approximately \$2 million, of which \$1.1 million related to detailed engineering costs. The other costs incurred from the net proceeds related to the July 2016 financing related to costs of the offering, IGV and general working capital expenses.

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 December 31, 2016:



(000's)	2017	2018	2019	2020	2021 and Beyond	Total
Accounts payable and accrued liabilities	\$ 577	\$ -	\$ -	\$ -	\$ -	\$ 577
Provisions	-	-	-	-	200	200
Other liabilities	256	89	98	98	56	597
Operating leases	85	74	-	-	-	159
	\$ 918	\$ 163	\$ 98	\$ 98	\$ 256	\$ 1,533

As at April 19, 2017, the Company had 103,085,064 outstanding common shares. The Company also had 6,480,750 share purchase options outstanding with a weighted average exercise price of CDN\$2.46.

## 7) Related Party Transactions

### *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.

	Nature of transactions
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.

	Note	Years Ended December 31	
		2016 (000's)	2015 (000's)
Legal fees – DuMoulin Black LLP	(i)	\$ 247	\$ 114
Legal fees – Estudio Grau S.C.R.L.		45	29
Accounting fees		132	113
		\$ 424	\$ 256

Transactions with related parties for goods and services are made on commercial terms. Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at December 31, 2016 included \$22,334 (December 31, 2015 - \$17,793) which were due to individuals or companies whose officers, directors or partners were also officers or directors of the Company.

### *Compensation of Key Management Personnel*

The remuneration of the directors, president and chief executive officer, and the chief operating officer (collectively, the key management personnel) for the years ended December 31, 2016 and 2015 were as follows:

	Note	Years Ended December 31	
		2016 (000's)	2015 (000's)
Salaries and directors' fees	(i)	\$ 813	\$ 823
Share-based compensation	(ii)	737	692
		\$ 1,550	\$ 1,515

- (i) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended December 31, 2016 and 2015.
- (ii) Share-based compensation represents the non-cash expense for the years ended December 31, 2016 and 2015, 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 of disposal and value in use.

The determination of fair value less costs of disposal 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 December 31, 2016 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 period ended December 31, 2016 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 is available on SEDAR at [www.sedar.com](http://www.sedar.com)