BEAR CREEK MINING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

EXPRESSED IN US DOLLARS

Independent auditor's report

To the Shareholders of Bear Creek Mining Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Bear Creek Mining Corporation and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dean Larocque.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 11, 2019

Bear Creek Mining Corporation

Consolidated Statements of Financial Position

US Dollars (000's)

	Note		**December 31, 2018**		December 31, 2017
ASSETS					
Current assets					
Cash and cash equivalents	7	**$**	**34,957**	$	5,481
Short-term investments			**5,770**		13,342
Receivables and prepaid expenses			**684**		739
Santa Ana settlement award receivable	8		**-**		31,000
			41,411		50,562
Non-current assets					
Equipment and leasehold improvements			**805**		240
Resource property costs	8		**89,552**		78,239
TOTAL ASSETS		**$**	**131,768**	$	129,041
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**831**	$	1,016
Current portion of community projects obligation	9		**1,187**		-
Current portion of other liabilities	10		**66**		165
			2,084		1,181
Non-current liabilities					
Community projects obligation	9		**9,852**		-
Other liabilities	10		**1,068**		952
Provision for site restoration			**200**		200
			13,204		2,333
EQUITY					
Share capital	11		**286,786**		286,786
Contributed surplus			**34,462**		32,581
Deficit			**(202,684)**		(192,659)
			118,564		126,708
TOTAL LIABILITIES AND EQUITY		**$**	**131,768**	$	129,041

Subsequent Events (Note 15)

ON BEHALF OF THE BOARD:

Signed "Catherine McLeod-Seltzer", Director

Signed "Erfan Kazemi", Director

Bear Creek Mining Corporation

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the years ended December 31

US Dollars (000's, except share data)

	Note		2018		2017
Operating expenses					
Corani engineering and evaluation costs	8	$	8,258	$	8,778
Santa Ana arbitration	8		56		450
Other exploration and evaluation costs (recoveries)	8		(10)		1,279
Share-based compensation	11		1,881		1,517
Wages and management salaries	12		800		708
Professional and advisory fees	12		313		286
General office expenses			208		189
Shareholder information and filing fees			195		147
Travel			73		70
Loss before other items			(11,774)		(13,424)
Other income and expense					
Foreign exchange gain			321		174
Finance income			330		215
Santa Ana settlement award	8		-		31,000
Interest on Santa Ana settlement	8		1,098		-
Gain on disposal of assets			-		13
Income (Loss) and Comprehensive Income (Loss) for the Year		$	(10,025)	$	17,978
Earnings (Loss) per Share – Basic		$	(0.10)	$	0.17
Earnings (Loss) per Share – Diluted		$	(0.10)	$	0.17
Weighted Average Number of Shares Outstanding - Basic			103,085,064		103,085,064
Weighted Average Number of Shares Outstanding - Diluted			103,085,064		103,737,205

The accompanying notes are an integral part of these consolidated financial statements

Bear Creek Mining Corporation

Consolidated Statements of Cash Flows

For the Year Ended December 31

US Dollars (000's)

	Note	2018	2017
Operating Activities			
Income (loss) for the year		$ **(10,025)**	$ 17,978
Items not affecting cash:			
Amortization		**53**	48
Loss on investment		**1**	1
Accretion of community projects obligation	9	**558**	-
Corani obligation	10	**188**	-
Share-based compensation	11	**1,881**	1,517
Interest on Santa Ana settlement	8	**(1,098)**	-
Finance income		**(330)**	(216)
Unrealized foreign exchange gain		**(135)**	(246)
Gain on disposal of assets		**-**	(13)
		(8,907)	19,069
Changes in current assets and liabilities:			
Receivables and prepaid expenses		**32**	(380)
Santa Ana settlement		**31,000**	(31,000)
Interest on Santa Ana settlement		**1,098**	-
Accounts payable and accrued liabilities		**(184)**	1,037
Cash provided by (used in) operating activities		**23,039**	(11,274)
Investing Activities			
Proceeds on disposal of equipment		**-**	13
Purchase of equipment		**(619)**	(106)
Resource acquisition costs	8	**(93)**	(30)
Payment of community projects obligation	9	**(406)**	-
Payment of Corani obligation	10	**(130)**	(100)
Short-term investment		**6,604**	7,239
Interest on short-term deposits		**351**	274
Cash provided by (used in) investing activities		**5,707**	7,290
Effect of exchange rate change on cash and cash equivalents		**730**	293
Net Increase (Decrease) in Cash and Cash Equivalents		**29,476**	(3,691)
Cash and cash equivalents – Beginning of Year		**5,481**	9,172
Cash and Cash Equivalents – End of Year		$ **34,957**	$ 5,481

The accompanying notes are an integral part of these consolidated financial statements

Bear Creek Mining Corporation

Consolidated Statements of Changes in Equity

US Dollars (000's, except share data)

	Share Capital (Number of Shares)	Share Capital	Contributed Surplus	Deficit	Total
December 31, 2016	**103,085,064**	**286,786**	**31,064**	**(210,637)**	**107,213**
Share-based compensation	-	-	1,517	-	1,517
Income for the year	-	-	-	17,978	17,978
December 31, 2017	**103,085,064**	**286,786**	**32,581**	**(192,659)**	**126,708**
Share-based compensation	-	-	1,881	-	1,881
Loss for the year	-	-	-	(10,025)	(10,025)
December 31, 2018	**103,085,064**	**286,786**	**34,462**	**(202,684)**	**118,564**

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of Business

Bear Creek Mining Corporation's ("Bear Creek" or the "Company") business is the acquisition, exploration and development of precious and base metal properties in Peru.

Bear Creek is a public company incorporated in British Columbia, Canada with shares listed on the TSX Venture Exchange and the *Bolsa de Valores de Lima*. The head office, principal address and records office of the Company are at 400 Burrard Street, Suite 1400, Vancouver, British Columbia, Canada, V6C 3A6.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration and development projects will result in profitable mining operations. The Company has no source of revenue and has significant cash requirements to meet its exploration plans and commitments, development activities, administrative overhead and maintain its mineral interests. The recoverability of amounts shown for resource properties is dependent on several factors. These factors include the discovery of economically recoverable reserves, the ability to complete development of these properties, and future profitable production or proceeds from disposition of mineral properties.

Ownership interests in mineral properties involves risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mineral properties. The Company has investigated ownership of its mineral properties and, to the best of its knowledge, ownership of its interests is in good standing.

2. Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). The Company applied IFRS 9 and IFRS 15 as of January 1, 2018. Other than the related changes described below, the accounting policies adopted are consistent with those of the previous financial year.

The Board of Directors approved the consolidated financial statements on April 11, 2019.

3. Summary of Significant Accounting Policies

The significant accounting policies described below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated.

a) Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are fully consolidated from the date the Company obtains control and continue to be consolidated until the date that control ceases. Control is achieved when the Company has the ability or right to cause variable returns from or is exposed to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

The principal subsidiaries of the Company, their activities, and their geographic locations as at December 31, 2018 were as follows:

Subsidiary	Principal activity	Location	Ownership interest
BCMC Corani Holdings Ltd.	Holding company	Canada	100%
Bear Creek Resources Company Ltd.	Holding company	Canada	100%
Bear Creek (BVI) Limited	Holding company	British Virgin Islands	100%
Corani Mining Limited	Holding company	British Virgin Islands	100%
Bear Creek Mining S.A.C.	Mineral exploration	Peru	100%
Bear Creek Exploration Company Ltd. and Bear Creek Mining Company Sucursal del Peru	Mineral exploration	Peru	100%
INEDE S.A.C.	Mineral exploration	Peru	100%
Electro Antapata S.A.C.	Mineral exploration	Peru	100%

All transactions and balances among the entities in the consolidated group are eliminated upon consolidation.

b) Foreign Currencies

The functional currency of the Company and of all of its subsidiaries is the United States (“US”) Dollar. Functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates (“IAS 21”). The consolidated financial statements are presented in US dollars.

Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance sheet dates are translated at the period end date exchange rates. Non-monetary items which are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, and subsequently amortized through profit or loss using this same exchange rate.

c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, term deposits and other short-term highly liquid investments with the original term to maturity of three months or less.

d) Short-term Investments

Short-term investments are investments which are transitional or current in nature with an original term to maturity greater than three months but less than one year.

e) Financial Instruments

Policy applicable from January 1, 2018

<u>Measurement – Initial Recognition</u>

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as fair value through profit or loss (“FVTPL”). Transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

Classification of Financial Assets

Amortized cost

Financial assets that meet the following conditions are measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments plus the cumulative amortization, using the effective interest method applied to the difference between the initial amount and the maturity amount, adjusted for any allowance due to losses or gains. Interest income is recognized using the effective interest method.

The Company's financial assets at amortized cost include its cash and cash equivalents, and certain receivables.

Fair value through other comprehensive income ("FVTOCI")

Financial assets that meet the following conditions are measured at FVTOCI.

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not have any instruments classified as financial assets at FVTOCI.

FVTPL

All other financial assets are measured at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

The Company does not have any financial assets measured at fair value through profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized as proceeds received net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly from equity. No gain or loss is recognized, by the Company, in profit or loss on the purchase, sale, or the cancellation of its own equity instruments.

Classification of Financial Liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated as at FVTPL, are measured at amortized cost using the effective interest method.

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full to a third party under a 'pass-through' arrangement;
- And either (a) the Company has transferred substantially all risks and rewards of the asset, or (b) the Company retains legal title but has contractually or otherwise transferred the associated economic risks and rewards.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

f) Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits from such assets will flow to the Company and the cost of such assets can be measured reliably. The carrying amount of an asset is derecognized when it is replaced or taken out of service. Repairs and maintenance costs are charged to the statement of loss and comprehensive loss during the period they are incurred.

The major categories of equipment and leasehold improvements are amortized on a straight-line basis as follows:

Furniture and fixtures	10 years
Office equipment	5 years
Vehicles	5 years
Leasehold improvements	5 years

The Company allocates the amount initially recognized to each asset's significant components and depreciates each component separately. Residual values, amortization methods and useful lives of the assets are reviewed periodically and adjusted on a prospective basis as required.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other income and losses in the statement of loss and comprehensive loss.

g) Resource Property and Exploration Costs

The Company capitalizes the direct costs of acquiring mineral property interests. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

Exploration, evaluation and property maintenance costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contains proven and probable reserves are expensed as incurred up to the date of establishing that property costs are economically recoverable.If no economically viable ore body is discovered, previously capitalized acquisition costs are expensed in the period that the property is determined to be uneconomical or abandoned.

h) Impairment of Non-Financial Assets

The carrying amounts of non-financial assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable potential cash flow generating units ("CGU's"). The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use (being the present value of the expected future cash flows of the CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Non-financial assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the statement of operations.

i) Provisions

(i) Decommissioning and restoration provision: Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations are initially recognized and recorded as a liability based on estimated future cash flows and where the effect is material, discounted at a pre-tax discount rate which reflects the risks specific to the liability. The decommissioning and restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the pre-tax discount rate which reflects the risks specific to the liability.

The liability is also accreted to full value over time through periodic charges to earnings as a finance expense in the statement of income (loss) and comprehensive income (loss).

The amount of the decommissioning and restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to earnings on the same basis as the underlying asset. The corresponding cost of decommissioning and restortion represents part of the cost of acquiring the future benefits of the operations.

(ii) Other provisions: Provisions are recognized when a current legal or constructive obligation exists as a result of past events and it is probable that a reliably estimated outflow of resources will be required to settle the obligation. Where material, provisions are discounted using a pre-tax risk adjusted interest rate specific to the obligation.

j) Share-Based Compensation

The fair value method of accounting is used for share-based compensation. Under this method, the cost of stock options and other equity-settled share-based payment arrangements are recorded on the date of grant at estimated fair value using the Black-Scholes option pricing model. This cost is charged as compensation expense to earnings over the vesting period. Compensation expense is recognized over the vesting period based on the number of awards expected to vest. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest. The Company recognises the impact of the revision to original estimates, if any, in the statement of loss and comprehensive loss.

Option pricing models require the input of subjective assumptions including the expected price volatility of the underlying instrument, assumed interest rates and the expected option life. Changes, over time, in these assumptions can materially affect the estimated fair value of stock options or other equity-settled instruments granted and the corresponding charge to loss.

k) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity in which case the related income tax is recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the end of the reporting period and any adjustments to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that such assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

l) Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of outstanding options and their equivalents are reflected in diluted earnings per share by application of the treasury stock method. The treasury stock method calculates the dilutive effect of share options assuming that the proceeds to be received on the exercise of share options are applied to repurchase common shares at the average market price of the period.

4. Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant areas where judgment and estimates are applied include the recoverability of resource property costs, inputs used in accounting for share-based compensation and other liability valuation. Actual results could differ from these estimates.

Management's key estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates

Significant assumptions relate to the following:

i) *Share-based compensation:* The Company provides compensation benefits to employees, directors and officers through a stock option plan. The fair value of each option award is estimated on the date of the grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatility of the Company's share price. Historical data is utilized to estimate option exercises and forfeiture behaviour with the valuation model. The risk-free rate for the expected term of the option is based on the Government of Canada yield curve in effect at the time of the grant.

ii) *Impairment of mineral properties:* The net carrying value of each mineral property is reviewed regularly for conditions that suggest impairment. This review requires significant judgment. Factors considered in the assessment of potential impairment indicators include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

iii) *Community project obligation and Other liability valuation:* The Company has agreements with the District of Carabaya, the Municipality of Corani, five surrounding communities, local landowners and relevant, ancillary organizations which require future payments by the Company. The valuation of these future obligations has been based on assumptions regarding the period of time over which the payments will need to be made as well as the timing of the payments.

5. Recent Accounting Pronouncements

The Company has adopted IFRS 9 for financial instruments as at January 1, 2018, in accordance with its transitional provisions and described below. The adoption of IFRS 9 has not resulted to adjustments in previously reported figures and no change to the opening deficit balance as at January 1, 2018.

IFRS 9

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

Under IFRS 9, on initial recognition, a financial asset or liability is classified and measured at either: amortized cost; fair value through other comprehensive income ("FVTOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets..

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income (FVTOCI).

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the statement of income or loss, unless this creates an accounting mismatch.

Classification and Measurement Changes

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and has summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	Measurement Category	
	Original (IAS 39)	New (IFRS 9)
Financial Assets:		
Cash and cash equivalents	Amortized cost	Amortized cost
Short-term investments	Amortized cost	Amortized cost
Receivables	Amortized cost	Amortized cost
Santa Ana settlement award receivable	Amortized cost	Amortized cost
Financial Liabilities:		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Community projects obligation	N/A	Amortized cost
Other liabilities	Amortized cost	Amortized cost

There has been no change in the measurement categories, carrying values or to previously reported figures of the Company's financial instruments. The adoption of the IFRS 9 did not have a significant impact on the financial statements.

IFRS 15

IFRS 15, Revenue from Contracts with Customers deals with revenue recognition and establishes principles of reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when the customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Standard replaced IAS 18 Revenue, and IAS 11 Construction Contracts and related interpretations. As the Company is in a development stage, the adoption of this standard did not have any impact on the financial statements.

The following new standards and amendments to standards have been issued but are not effective during the year ended December 31, 2018:

IFRS 16:

IFRS 16, Leases sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The amendments are effective for periods beginning on or after January 1, 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Company is assessing the impact of IFRS 16 on its office space, office equipment, and vehicle leases in Peru. The Company plans to adopt IFRS 16 using the modified retrospective approach, which means the cumulative impact of the adoption will be recognized as at January 1, 2019, and the comparatives will not be restated. The Company will elect to use the exemptions and practical expedients proposed by the standard on lease contracts, as follows:

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than 12 months as of January 1, 2019 as short-term leases;
- Account for lease payments as an expense and not recognize a right-to-use asset if the underlying asset is of low dollar value; and
- Use hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

During 2018, the Company reviewed its contracts and aggregated data to determine the effect of adopting IFRS 16. The terms of all of the Company's significant leases ended on December 31, 2018. As a result, the Company assessed that there would be no impact on the Company's opening deficit upon adopting the standard on January 1, 2019. The Company's office space and vehicle leases entered into in 2019 were evaluated under IFRS 16. On January 1, 2019, the Company expects to recognize approximately $1.45 million of lease liabilities and the right-of-use assets on its statement of financial position. The Company also leases certain office equipment that are of low-value and will not impact its financial statements.

6. Financial Instruments

		December 31, 2018 (000's)		December 31, 2017 (000's)
Financial assets at amortized cost				
Cash and cash equivalents	**$**	**34,957**	$	5,481
Short-term investments		**5,770**		13,342
Santa Ana settlement award receivable		**-**		31,000
Receivables		**265**		614
	$	**40,992**	$	50,437
Financial liabilities at amortized cost				
Accounts payable and accrued liabilities	**$**	**831**	$	1,016
Community project obligation		**11,039**		-
Other liabilities		**1,134**		1,117
	$	**13,004**	$	2,133

a) **Fair value**

As at December 31, 2018, the carrying values of all of the Company's financial assets and financial liabilities approximate their fair value.

b) **Management of financial risk**

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

i. Currency risk

The Company is exposed to the financial risk due to changes in foreign exchange rates. The Company operates in Peru and Canada, and a portion of its expenses are incurred in Canadian dollars and Peruvian Soles. A significant change in the exchange rates between the Canadian dollar relative to the US dollar and the Peruvian Sol to the US dollar could have an affect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. At December 31, 2018, the Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and Peruvian Soles:

	December 31, 2018	
	Canadian Dollars (000's)	**Peruvian Soles (000's)**
Cash and cash equivalents, and short-term investments	3,141	40,839
Receivables	21	111
Accounts payable and accrued liabilities	(132)	(2,125)

Based on the above net exposures as at December 31, 2018, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase/decrease of approximately $222,000 in the Company's income for the year. A 10% depreciation or appreciation of the US dollar against the Peruvian Sol would result in a decrease/increase of approximately $1,150,000 in the Company's income for the year.

ii. Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit risk the Company is exposed to is 100% of cash and cash equivalents, short-term investments and receivables.

The Company's cash and cash equivalents, and short-term investments are held in large Canadian or Peruvian financial institutions. Short-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian or Peruvian banks. These investments mature at various dates over the next twelve months.

iii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements by taking into account anticipated cash expenditures for its operating activities.. The Company will pursue equity or debt financing as required to meet its long-term commitments. There is no assurance that such financing will be available or that it will be available on favourable terms.

As at December 31, 2018, the Company's financial liabilities consist of accounts payable and accrued liabilities and the current portion of other liabilities totalling $0.9 million, which are expected to be paid over the next twelve months, and the long-term portion of and other liabilities of $1.07 million, which are expected to be paid over the next five years. The Company also has community projects obligation for an annual payment of Peruvian Sol 4 million for each of the next 21 years.

iv. Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk management policy is to purchase highly liquid investments with a term to maturity of one year or less on the date of purchase. Based on the amount of cash and cash equivalents invested in instruments earning interest as at December 31, 2018 and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an increase/decrease of approximately $0.2 million in the interest earned by the Company per annum.

c) **Management of capital**

The Company's objectives of capital management are intended to safeguard the Company's ability to support the Company's development and exploration of its mineral properties and support any expansionary plans.

The capital of the Company consists of items included in its shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets.

To effectively manage its capital requirements, the Company has in place a planning and budgeting process to help determine the funds required the ensure the Company has the appropriate liquidity to meet its objectives. The Company may issue new shares or seek debt to ensure that there is sufficient working capital to meet its short-term business requirements.

There were no changes to the Company's approach to capital management during the year ended December 31, 2018.

7. Cash and Cash Equivalents

		December 31, 2018 (000's)		December 31, 2017 (000's)
Cash	**$**	**4,585**	**$**	2,065
Term deposits and other Investment accounts		**30,372**		3,416
	$	**34,957**	**$**	5,481

8. Resource Property Costs

		Corani Project (000's)		**Maria Jose Project (000's)**		**Total (000's)**
Balance at December 31, 2016	$	77,258	$	951	$	78,209
Land acquisition costs		30		-		30
Balance at December 31, 2017	$	77,288	$	951	$	78,239
Land acquisition costs		93		-		93
Community projects obligation (Note 9)		11,220		-		11,220
Balance at December 31, 2018	**$**	**88,601**	**$**	**951**	**$**	**89,552**

a) Corani Project

The Company has a 100% interest in the Corani Project located in the Department of Puno, Peru.

Corani Engineering and Evaluation Costs:		**Years Ended December 31**		
		2018 (000's)		2017 (000's)
Corani				
Assaying and sampling		**5**		31
Community contributions		**1,772**		1,483
Detailed engineering		**1,220**		3,557
Environmental		**130**		129
Maintenance costs		**68**		58
Salaries and consulting		**3,398**		2,116
Camp, supplies and logistics		**1,599**		1,364
Travel		**66**		40
Costs for the Year	**$**	**8,258**	$	8,778

b) Maria Jose Project

The Maria Jose Project is located in northern Peru in the Ancash Department. On February 27, 2013, the Company entered into an option agreement to purchase 100% of the Maria Jose Project for $4.9 million over a four-year period. In 2015, the Company entered into an option and joint venture agreement with a private Peruvian gold producer, Analytica Mineral Services SAC ("AMS"). AMS can earn a 51% interest in the project by completing 2,000 meters of tunneling at its cost. AMS initiated the required tunneling work during December 2018. Following AMS earning its 51% interest, the two parties will form a joint venture. In December 2015, replacing the February 2013 agreement, Bear Creek and AMS entered into a new agreement and made a payment of $1.2 million, in proportion to their respective joint venture interests, to the underlying property owner to acquire 100% interest in the Maria Jose mineral concessions. Under the purchase agreement there is an obligation to pay an additional $2.1 million to the former property owner. The $2.1 million is payable by the Company and AMS in proportion to their respective joint venture interests upon commencement of commercial production.

c) Santa Ana Project

In December 2004 the Company acquired an option to earn a 100% interest in the Santa Ana silver property in south eastern Peru. The option was exercised in November 2007.

On June 25, 2011 the Company learned that the Peruvian Government issued Supreme Decree DS-032-2011 (the "Supreme Decree") which rescinded the Company's right to operate on the mineral concessions covering the Santa Ana Project.

Following negotiations to reach an amicable resolution with the Peruvian Government, 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 Free Trade Agreement ("FTA").

On December 1, 2017, the tribunal of arbitration at the ICSID determined that the Supreme Decree amounted to an indirect expropriation of the Company's rights and rendered an award in favor of the Company of approximately $31.0 million, which consisted of $18.2 million for compensation of costs incurred at Santa Ana, $6.0 million for reimbursement of costs associated with the ICSID arbitration and accrued interest of $6.8 million. Interest accrued on the settlement amount at 5% per annum, compounded quarterly.

On November 13, 2018, the Company received S/ 108.4 million ($32.1 million) with respect to the settlement of the ICSID arbitration award from the Peruvian Government. The award amount was inclusive of interest of $1.1 million.

In November 2018, the Company received from the Peruvian Government, $243,000 in negotiable credits as reimbursement of property payments that the Company had made with respect to Santa Ana (Note 8e). These credits may be applied against future annual concession payments in Peru or may be sold to other parties.

As at the date of these consolidated financial statements, the Company has relinquished all Santa Ana mineral concessions. Technical documents and part of the drill cores were returned to the Peruvian Government as of December 31, 2018 with the remaining drill cores returned during February 2019.

d) Sumi Project

The Company acquired a 100% interest in the Sumi gold prospect in 2011 located in central Peru.

Since March 2014, the Sumi prospect has been explored by Japan Oil, Gas and Metals National Corporation ("JOGMEC"), with whom Bear Creek entered into a joint venture agreement. JOGMEC and the Company terminated the joint venture on July 31, 2018. JOGMEC has complied with its environmental remediation obligations in accordance with the closure plan approved by the Peruvian Ministry of Mines.

e) Other Exploration and Evaluation Costs (Recoveries)

Other exploration and evaluation costs for the years ended December 31, 2018 and 2017 are as follows:

Exploration and Evaluation Costs:	**Years Ended December 31**	
	2018 **(000's)**	2017 (000's)
Maria Jose		
Community contributions	**$ 9**	$ 7
Maintenance costs	**7**	48
Salaries and consulting	**71**	49
Supplies and general	**4**	2
	91	106
Santa Ana		
Maintenance costs	**49**	49
Salaries and consulting	**113**	214
Supplies and general	**10**	47
Recovery of costs (Note 8c)	**(243)**	-
	(71)	310
Sumi		
Community contributions	**10**	30
Drilling and assaying	**-**	646
Geophysics	**13**	14
Maintenance costs	**6**	7
Salaries and consulting	**152**	304
Supplies and general	**96**	269
Recovery of costs	**(237)**	(1,471)
	40	(201)
Generative		
Maintenance costs	**17**	3
Salaries and consulting	**28**	52
Supplies and general	**15**	3
	60	58
Other Properties	**33**	31
Value added tax	**(163)**	975
Costs (recoeveries) for the Year	**$ (10)**	$ 1,279

9. Community Projects Obligation

On April 8, 2013 the Company had entered into a Framework Agreement for the Sustainable Use of Natural Resources in the Mining Project Corani (the "Framework Agreement") with the Corani District Municipality and the five communities contained within the District Municipality: Chacaconiza, Quelcaya, Isivilla, Corani-Aconsaya and Aymaňa. The Framework Agreement was for an initial payment (the "Initial Payment") and 22 successive payments (the "Successive Payments") of Peruvian Sol ("S/") 4 million to be made into a trust designed to fund community projects. The Initial Payment was dependent on the Company obtaining the Environmental and Social Impact Assessment approval which was received in September 2013. Bear Creek made the initial payment in 3 tranches (between 2014 and 2015). The Successive Payments of S/. 4 million per year were dependent on the Company receiving the permit for the construction of the processing facilities and the mining installations.

Such permit for the construction of the processing facilities and the mining installations was received on June 27, 2018 and as a result the Company recognized a liability for the remaining Successive Payments and capitalized the corresponding cost within Resource Property Costs (Note 8). On June 27, 2018, the Company's gross community project obligation was S/ 85.3 million. The Company discounted these future payments using a pre-tax rate of 10%, resulting in a liability of $11 million.
On July 3, 2018, the Company paid $406,326 (S/ 1,336,000) in trust pursuant to the Framework Agreement and as a result, the Company's gross community project obligation as at December 31, 2018 was S/ 84 million.

A continuity of the Company's community projects obligation per the Framework Agreement is as follows:

		(000's)
Balance as of December 31, 2017	**$**	**-**
Initial recognition		11,220
Payment		(406)
Accretion expense		558
Impact of foreign exchange		(333)
Balance as of December 31, 2018	**$**	**11,039**
Less: current portion		(1,187)
Long-term portion as of December 31, 2018	**$**	**9,852**

A fifty basis point change in the discount rate used would result in a change in the initial liability of approximately $0.4 million. A 10% change in the value of the US dollar against the Peruvian Sol would change the value of the community projects obligation by $1.1 million.

The Framework Agreement with the local communities and the Corani Environmental and Social Impact Assessment requires certain development work; such as, access roads, mine camp and maintenance and storage facilities, and the Antapata substation. The Company began development work during 2018 in accordance with the Environmental Impact Assessment.

10. Other Liabilities

During 2011 the Company entered into land purchase agreements with local landowners for surface rights access to the Corani project as well as an agreement to provide the Municipality of Corani with funding for the construction of schools and other improvements to the community as determined by the Municipality of Corani. The total amount owed under the agreements was approximately $3.43 million of which $1.13 million remains outstanding as of December 31, 2018. All of the land purchase amounts have been capitalized as mineral properties. All community contributions have been expensed.

		(000's)
Balance as of December 31, 2016	**$**	598
Payments		(100)
Addition to obligation		597
Impact of foreign exchange		22
Balance as of December 31, 2017	**$**	1,117
Payments		(130)
Addition to obligation		188
Impact of foreign exchange		(41)
Balance as of December 31, 2018	**$**	1,134
Less: current portion		(66)
Long-term portion as of December 31, 2018	**$**	1,068

The Company's estimated future payments are as follows:

		December 31, 2018 (000's)		December 31, 2017 (000's)
Within one year	**$**	**66**	$	165
After one year but not more than five years		**1,068**		952
	$	**1,134**	$	1,117

11. Capital

Authorized share capital

Unlimited number of common shares without par value.

During the years ended December 31, 2018 and 2017, the Company did not issue any share capital.

Share Purchase Options

The Company has established a share purchase option plan (the "Stock Option Plan") whereby the Board of Directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than ten years from the date of grant or such lesser period as determined by the Company's Board of Directors. The exercise price of an option is determined by the Board of Directors, but it cannot be less than the closing price on the TSX Venture Exchange on the trading date preceding the date of grant, less the maximum discount permitted under TSX policies applicable to share purchase options. Vesting terms for each grant are also set by the Board of Directors but they are generally set with vesting of 25% on the date of grant, 25% six months from the date of grant, 25% one year from the date of grant and 25% eighteen months from the date of grant or in the case of certain executive officers upon the achievement of certain objectives or the passage of time. The Stock Option Plan provides that the aggregate number of shares reserved for issuance under the plan (including shares issuable upon the exercise of existing options and restricted or deferred share units issuable under the Company's Long Term Incentive Plan) shall not exceed 10% of the total number of issued and outstanding common shares of the Company on a non-diluted basis, as constituted on the grant date of such options. At December 31, 2018, a total of 7,290,750 stock options were under grant, leaving 3,017,756 options, including restricted or deferred share units reserved for issuance under the option plan.

a) Movements in share options

The changes in share options during the year ended December 31, 2018 and the year ended December 31, 2017 were as follows:

	December 31, 2018		December 31, 2017	
	Number of options	**Weighted average exercise price (in CDN$)**	Number of options	Weighted average exercise price (in CDN$)
Outstanding, beginning of the year	7,195,750	2.40	7,353,850	2.76
Granted	1,995,000	2.08	2,050,500	2.50
Expired	(1,900,000)	3.07	(2,208,600)	3.69
Outstanding, end of the year	**7,290,750**	**2.14**	**7,195,750**	**2.40**

b) Fair value of share options granted

During the year ended December 31, 2018, the Company granted options to directors, officers, and employees to purchase up to 1,995,000 common shares of the Company at a weighted average exercise price of CDN$2.08 per share.

Of these, 945,000 options vest over a period of 18 months from the date of grant and expire ten years from the date of grant. The remaining 1,050,000 options vest 50% at the earlier of a construction decision on the Company's Corani project or two years from the date of grant and the remaining 50% vest at the earlier of commercial production on the Company's Corani project or five years from the date of grant and expire ten years from the date of grant.

During the year ended December 31, 2017, the Company granted options to directors, officers, and employees to purchase up to 2,050,500 common shares of the Company at a weighted average exercise price of CDN$2.50 per share.

Of these, 1,050,500 options vest over a period of 18 months from the date of grant and expire five years from the date of grant. The remaining 1,000,000 options vest 50% at the earlier of a construction decision on the Company's Corani project or two years from the date of grant and the remaining 50% vest at the earlier of commercial production on the Company's Corani project or five years from the date of grant and expire ten years from the date of grant.

The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model, with the following weighted average assumptions:

	2018	2017
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	75.23%	77.53%
Risk-free interest rate	2.13%	1.47%
Expected life of options	8.0 years	5.8 years
Forfeiture rate	3.18%	3.32%
Grant date fair value	CDN $1.53	CDN $1.53

During the year ended December 31, 2018, the Company recognized $1.88 million (2017 - $1.52 million) as share-based payments expense based on the graded vesting schedule of the granted stock options.

c) Share options outstanding

A summary of the Company's options outstanding as at December 31, 2018 is as follows:

Options Outstanding	Options Exercisable	**Price per Share**	**Remaining contractual life (years)**	**Expiry Date**
1,200,000	1,200,000	CDN$2.05	0.14	February 21, 2019
1,109,250	1,109,250	CDN$1.41	1.15	February 23, 2020
936,000	936,000	CDN$2.48	2.46	June 17, 2021
1,050,500	1,050,500	CDN$2.73	3.13	February 16, 2022
1,000,000	-	CDN$2.25	8.76	October 3, 2027
795,000	406,500	CDN$2.05	9.16	February 26, 2028
650,000	-	CDN$2.05	9.18	March 2, 2028
400,000	-	CDN$2.24	9.21	March 16, 2028
150,000	75,000	CDN$1.92	9.45	June 12, 2028
7,290,750	**4,777,250**		**4.68**	

The weighted average exercise price of exercisable options at December 31, 2018 is CDN$2.13.

12. Related Party Transactions

Details of the transactions between the Company and other related parties are disclosed below.

a) Services provided by related parties

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 Professional Accountants	Accounting fees

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

	Years Ended December 31			
		2018 (000's)		2017 (000's)
Legal fees – DuMoulin Black LLP	**$**	**7**	$	77
Legal fees – Estudio Grau S.C.R.L.		**-**		53
Accounting fees		**19**		125
	$	**26**	$	255

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, 2018 included $1,134 (December 31, 2017 - $8,169) which were due to individuals or companies whose officers, directors or partners were also officers or directors of the Company.

b) Compensation of key management personnel

The remuneration of the directors, president and chief executive officer, and the chief operating officer (collectively, the key management personnel) for the years ended December 31, 2018 and 2017 were as follows:

		Years Ended December 31			
	Note		**2018 (000's)**		2017 (000's)
Salaries and directors' fees	(i)	**$**	**1,408**	$	878
Share-based compensation	(ii)		**1,764**		1,128
		$	**3,172**	$	2,006

(i) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits.
(ii) Share-based compensation represents the non-cash expense, translated at the grant date foreign exchange rate.

13. Segmented Information

The Company's business consists of a single reportable segment being mineral exploration and development. Details on a geographic basis are as follows:

Total Assets		**December 31, 2018 (000's)**		December 31, 2017 (000's)
Peru	**$**	**124,078**	$	111,445
Canada		**7,690**		17,596
	$	**131,768**	$	129,041

Net Income (Loss)		**December 31, 2018 (000's)**		December 31, 2017 (000's)
Peru	**$**	**(6,587)**	$	20,864
Canada		**(3,438)**		(2,886)
	$	**(10,025)**	$	17,978

14. Income Taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

		Year ended December 31, 2018 (000's)		Year ended December 31, 2017 (000's)
Income (Loss) before income taxes	**$**	**(10,025)**	$	17,978
Canadian federal and provincial income tax rates		**27.0%**		26.0%
Income tax expense (recovery) based on the above rates		**(2,707)**		4,674
Non-deductible (taxable) items (net)		**(3,642)**		917
Effect of change in Canadian and foreign tax rates		**(65)**		169
Impact of deferred tax assets not recognized		**4,596**		(4,911)
Foreign exchange and other		**1,818**		(849)
Total income tax expense	**$**	**-**	$	-

The components of the Company's unrecognized deferred income taxes are as follows:

		December 31, 2018 (000's)		December 31, 2017 (000's)
Deferred income tax assets:				
Non-capital losses	**$**	**14,032**	$	10,777
Share issue costs and other		**4,201**		4,663
Property plant and equipment		**385**		332
Resource properties costs		**17,792**		16,042
Total deferred tax assets	**$**	**36,410**	$	31,814
Deferred income tax liabilities		**Nil**		Nil

In assessing the recoverability of deferred tax assets other than deferred tax assets resulting from the initial recognition of assets and liabilities that do not affect accounting or taxable profit, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible The Company has not recognized deferred income tax assets for any temporary differences as their utilization is not considered probable at this time.

Deductible temporary differences, unused tax losses and unused tax credits:

	December 31, 2018 (000's)	December 31, 2017 (000's)	Expiry date range
Non-capital losses	39,318	32,513	See below
Share issue costs and other	10,703	16,686	Not applicable
Property plant and equipment	12,944	7,976	Not applicable
Resource properties	67,891	57,323	Not applicable

At December 31, 2018, the Company has non-capital losses available for carry forward of $39.3 million which may be applied to reduce future year's taxable income. These unrecognized loss carry-forwards are in respect of Canadian and Peruvian operations and expire as follows:

	Canada (CAD – 000's)	Peru (Soles – 000's)	Canada (USD - 000's)	Peru (USD - 000's)
2027	2,289	-	1,679	-
2028	1,870	-	1,371	-
2029	2,446	-	1,793	-
2030	4,146	-	3,039	-
2031	2,913	-	2,135	-
2032	7,395	-	5,420	-
2033	4,162	-	3,051	-
2034	1,063	-	779	-
2035	-	-	-	-
2036	970	-	711	-
2037	44	-	32	-
2038	1,841		1,351	-
Indefinite	-	60,607	-	17,957
	29,139	60,607	21,361	17,957

15. Subsequent Events

On February 1, 2019, the Company granted 1,805,000 incentive stock options to directors, officers and employees. The options are exercisable at CDN$1.50 per common share for a period of ten years from the date of grant and have various vesting timeline from immediately to five years from the date of grant.

On March 6, 2019, the Company granted 75,000 incentive stock options to a director. The options are exercisable at CDN$1.41 per common share for a period of ten years from the date of grant and vest perodically over 18 months.

As of January 17, 2019, $0.63 million of the Company's cash was restricted due to the issuance of a Certificate of Deposit related to the posting of a mine closure guarantee with the Government of Peru.