BEAR CREEK MINING CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED DECEMBER 31, 2019

Introduction

The following Management's Discussion and Analysis ("MD&A") of Bear Creek Mining Corporation (the "Company" or "Bear Creek") was prepared on April 16, 2020 and should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). 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 ("AIF"), is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Bear Creek's business is the acquisition, exploration and development of precious and base metal properties in Peru. The Company is advancing its 100%-owned Corani silver-lead-zinc project towards development, has a royalty interest in a development project, and has other early-stage exploration projects. 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. A description of significant risks may be found in the Company's AIF for the year ended December 31, 2019.

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., Executive Chairman of the Company, who serves as the Qualified Person under the definitions of National Instrument 43-101 ("NI 43-101").

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1) Current Highlights

Corporate Developments:

On March 6, 2019, the Company announced the appointment of Mr. Alfredo Bullard as a Director of the Company. Mr. Bullard, a Partner in the Lima, Peru law firm Bullard Falla Ezcurra +, is an accomplished lawyer, author and professor. Mr. Bullard's legal expertise focuses on law and economics, including competition, economic regulation, property, consumer protection, torts, contracts and international trade and arbitration. Mr. Bullard is a member of the International Bar Association and various other legal institutions and has served as an arbitrator on more than 200 cases administered by both Peruvian and international arbitration courts. Mr. Bullard graduated from the Law School of Pontificia Universidad Católica del Perú and holds a Master's degree in law from Yale University in the United States.

At the Company's annual meeting of shareholders held on June 5, 2019 (the "2019 AGM"), shareholders elected a new director, Mr. Alfredo Bullard to the Company's board of directors (the "Board") and re-elected all other directors. Mr. David De Witt, a director of the Company since 2003, did not stand for re-election at the 2019 AGM. The Company also re-appointed all officers.

On September 16, 2019, the Company announced the appointment of Mr. Alan Hair as a Director of the Company. Mr Hair is a mineral engineer and senior executive with over 36 years of experience in the mining and metals industry. Mr. Hair is the former President and CEO of Hudbay Minerals Inc. ("Hudbay"), a company he joined in 1996 as a senior operations manager and at which he served in a series of progressively senior roles culminating in the position of President and CEO from 2016 to 2019. During his tenure at Hudbay, Mr. Hair oversaw the successful acquisition, construction and development of the Constancia Mine in southern Peru. His areas of expertise span all aspects of mining operations and management including engineering and operations, business development, finance, marketing, environment, health and safety, risk management and legal and regulatory matters. Mr. Hair holds a Bachelor of Science degree in Mineral Engineering from the University of Leeds and the ICD.D designation from the Institute of Corporate Directors.

On September 20, 2019 the Company announced it had qualified for trading on the OTCQX® Best Market in the United States operated by OTC Markets Group Inc. The Company's common shares commenced trading on the OTCQX Market on the same date.

On December 17, 2019 the Company filed a National Instrument 43-101Technical Report (the "2019 Feasibility Study") with respect to the Company's Corani Silver-Lead-Zinc property. The Feasibility Study demonstrated a 20 per cent increase in daily production, a $126 million (31%) increase in after-tax Net Present Value discounted at 5%, a 52% increase in after-tax Internal Rate of Return from 15.1% to 22.9%, a 1.2 year (33%) reduction in the payback period, lower All-In-Sustaining-Costs and significantly reduced construction, development and operating risks when compared to the technical report filed in 2017 with respect to the Corani property .

On February 18, 2020 the Company announced the closing of a Cdn $16.6 million financing. Pursuant to a prospectus offering offering, the Company issued 7,145,000 common shares at a price of Cdn $2.10 for gross proceeds of Cdn $15,004,500. The underwriters also partially exercised their over-allotment option to acquire an additional 760,000 common shares for additional gross proceeds of Cdn $1,596,000. The underwriters received a cash fee equal to 6% of the gross proceeds of the Offering.

The Company is currently working with certain financial institutions to arrange a senior secured credit facility, which if successful will be used to develop the Company's Corani Project. We cannot provide any assurance that we will be successful at arranging a senior secured credit facility on terms that are acceptable to the Company.

The novel coronavirus ("COVID-19") has caused many countries to implement measures to reduce the spread of the virus. In Peru, on March 15, 2020, the President issued a national state of emergency decree that closed the country's borders, limited transportation within the country, and required most people to work from their homes. On March 16, the Company closed its offices in Lima and Vancouver and reduced staff at the Corani project site to a minimum. As at the date of these consolidated financial statements, the office closures and staff reductions are still in effect. The effect and duration of COVID-19 and government responses to it are unknown. Consequently, management anticipates, but cannot predict the effect of unknown adverse changes to its business plans, financial position, cash flows, and results of operations during 2020 and beyond.

Corani Project:

The Company carried out additional metallurgical testing, and engineering as part of the 2019 Feasibility Study, while advancing early works. The Company will assist the financial institutions with which it is working to arrange project financing with the aim of closing a senior secured facility by the end of 2020, however, this may get delayed depending on the global response to the COVID-19 threat. The Company will also continue to seek additional subordinated financing options to complete the funding necessary to reach a construction decision. Civil works on the Antapata electrical substation have been completed with both the erection of steel infrastructure and electrical equipment outfitting expected to be installed by the end of May 2020. The Company expects the electrical substation will be commissioned by the end of July 2020, however, it would depend on when the Company is able to resume its activities after the state of emergency is lifted.

The cost related to the early works program, with the exception of work related to the Antapata substation and power distribution system, is being expensed through the statement of loss and comprehensive loss in the consolidated financial statements. In accordance with the Company's accounting policy, technical feasibility and commercial viability will be achieved upon establishment of proven and probable reserves as well as the approval by the Board of Directors to proceed with the development of the Corani project. All related costs on the project incurred subsequent to this milestone would be recognized on the statement of financial position.

On November 5, 2019, the Company announced a summary of the results of its 2019 Corani Feasibility Study (the "2019 Corani Technical Report"). The complete NI 43-101 report was filed on December 17, 2020. The Company expects to undertake additional engineering to achieve Class 2 cost estimate classification and issued for construction earthworks drawings, while continuing community and environmental initiatives.

For more details, see section 2.1

Maria Jose Project:

On December 3, 2019 the Company signed a royalty agreement with Minera Castor S.A.C ("MICASAC"), an affiliate of Analytica Mineral Services SAC ("AMS") to replace the joint venture agreement signed by the Company and MICASAC on March 25, 2015. The net smelter revenue percentage will vary depending on the amount of gold ounces produced during a given month, and the average price of gold for the same period.

For more details, see section 3.1

2) Development Projects

2.1) 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 an elevation of approximately 4800 meters above sea level. The Corani Project currently consists of twelve mineral concessions that form a contiguous block of ground covering approximately 6,000 hectares.

On November 5, 2019, the Company announced a summary of the results of work leading to a feasibility study (the "2019 Report"). The NI 43-101 Technical Report was filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and on our website www.bearcreekmining.com on December 17,2020.

The objectives of the 2019 Corani Technical Report were to reduce construction, development and operating risks and to identify potential improvements to the expected economic performance. The results include expected improvements when compared to the results of the 2017 NI 43-101 Technical Report entitled Corani Project Detailed Engineering Phase 1 (FEED) the ("2017 Report") as shown in the table below.

Report Highlights and comparison to the 2017 NI 43-101 Technical report

	2019 Report*	2017 Report*	Improvements
After tax NPV_5	$531 million	$405 million	$126 million
After tax IRR	22.9 %	15.1 %	7.8%
Initial Capital	$579 million	$585 million	$6 million
Capital Payback	2.4 years	3.6 years	1.2 years
Ore Processed per Day	27,000 tonnes	22,500 tonnes	4,500 tonnes
AISC per oz silver Life of Mine ("LOM"))	$4.55	$5.00	$ 0.45
Average annual silver production (LOM)	9.6 million oz	8.0 million oz	1.6 million oz

* Both the 2019 Report and 2017 Report economics are based on metal prices of $18.00 per ounce of silver, $0.95 per pound of lead and $1.10 per pound of zinc and that the Corani Project would be completely financed by equity and developed on an EPCM basis

Social and Environmental

The Company has maintained excellent working relationships with the local communities and has continued to conduct 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 future mine, waste dumps and processing plant. The Company is working with the Peruvian government to provide the access rights for the ancillary facilities including the access roads and power.

The Company entered into a Life of Mine Investment Agreement (“LOM Agreement”) in June 2013 with the District of Carabaya, which includes the five surrounding communities, and relevant ancillary organizations specifying investment commitments over the project life, including the pre-production period. Under the agreement annual payments totaling 4 million nuevo soles per year (approximately $1.2 million per year) are to be made into a trust designed to fund community projects. The first installment was made in 2013. Subsequent installments were contingent upon certain permits being received. All of the permits were received by June 2018 and as a result, annual payments of 4 million nuevo soles will be made throughout the term of the agreement. All future yearly obligations were present valued and recorded as a liability in June 2018. Cessation or interruptions of operations will cause pro-rata decreases in the annual payments. Each of the five communities (Corani (Aconsaya), Chacaconiza, Quelcaya, Isivilla, and Aymaña) have agreed to the formation of committees that will consider and approve investment projects for the benefit of the communities, such as schools, medical facilities, roads, or other infrastructure. The annual investment to be directed toward each community is agreed to and defined in the agreement.

During September 2018, the Company started construction of the Antapata electrical substation near the town of Macusani, the nearest sizable town to the Corani Project, located on the Interoceanic Highway approximately 30 kilometers directly east of Corani (approximately 64 kilometers by road). The transformer was delivered to the substation site on August 7, 2019 and civil works were completed in December 2019. The Company expects to complete the erection of steel infrastructure, installation of electrical equipment, and outfitting of the control room by March 2020. Local municipalities will require some residential electrical infrastructure upgrades before connecting to the electrical substation. As a result, the Company expects local municipal infrastructure work to take place during the second quarter of 2020, with commissioning of the electrical substation likely to occur by July 2020. This substation will be used to direct electricity to a future power line that will supply the Corani Project and to provide a consistent power supply to the residents of Carabaya and Macusani, who experience regular power brownouts.

The Company will continue to cultivate the social license it has earned with the communities neighboring the Corani Project 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.

Outlook

The Company will work with certain financial institutions to arrange a senior secured credit facility and assess other financing alternatives to fund the development of the Corani Project. The Company will also continue engineering work and pre-construction initiatives started during Q3 2018. The Company has implemented measures to reduce the spread of COVID-19, the overall effect and duration of which is unknown as at the date of this MD&A. As a result, the Company cannot predict the impact this virus would have on its business plans.

Corani Expenditures

During the year ended December 31, 2019 the Company incurred expenses of $12.5 million on the Corani project including: detailed engineering costs of $3.6 million; camp supplies and logistics of $1.9 million; community contribution activities of $1.9 million; and salaries and consulting of $4.2 million.

The Company had $88.6 million of capitalized acquisition costs related to the Corani project as of December 31, 2019 (December 31, 2018 - $88.60 million including the capitalized community projects liability of $11.2 million). During the year ended December 31, 2018 the Company recognized a community projects liability and capitalized a corresponding resource property cost of $11.2 million upon receipt of mine and processing facility construction permits that triggered payments under the LOM Agreement.

The Company has plans to incur an additional $10.7 million on the Corani project during fiscal 2020. These funds will be primarily directed towards Corani and Lima salaries ($4.2 million), ESIA required costs ($1.9 million), construction of the Antapata electrical substation ($1.8 million) and camp costs ($1.3 million). The Company also expects to expend approximately $0.5 million for community relations and will require approximately $0.7 million to maintain its office space in Lima.

3) Exploration Projects

The Company reduced its exploration activities over the past several years in order to preserve cash and to focus on the Corani Project. The Company maintains a core exploration staff to manage its joint venture exploration projects. The Company has budgeted $0.5 million for these exploration programs in 2020.

3.1) 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.

On December 3, 2019 the Company signed an agreement with Minera Castor S.A.C ("MICASAC"), an affiliate of AMS, whereby it exchanged a net smelter return ("NSR") royalty in the Maria Jose Project for its 49% interest under the joint venture agreement. The NSR ranges between 0% and 9% depending on the amount of gold ounces produced and the price of gold. A royalty of 1% would be earned for annual production of at least 30,000 ounces with average price of gold of at least $1,400 per ounce, and 9% royalty would be earned for annual production of 90,000 ounces of gold at an average price of $1,300 per ounce or higher.

3.2) 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.

Since March 2014, the Sumi prospect has been explored by Japan Oil, Gas and Metals National Corporation ("JOGMEC"), with which the Company had entered into a joint venture agreement. JOGMEC and the Company terminated the joint venture agreement on July 31, 2018 upon fulfilment of JOGMEC's contractual obligation. JOGMEC has complied with its environmental remediation obligations in accordance with the closure plan approved by the Peruvian Ministry of Mines. Such obligations have been discharged. Upon review of JOGMEC's drilling results, Bear Creek has decided to maintain the Sumi Project concessions and is evaluating alternatives to move exploration forward.

3.3) Tassa Silver-Gold Prospect

Tassa is an advanced gold and silver exploration project located in the district of Ubinas, within the Sanchez Cerro Province in the Moquegua region. The project consists of 1,200 hectares within three concessions.

On February 24, 2020 the Company optioned the Tassa property to Teck Peru S.A. ("Teck"). Under the agreement Teck may earn a 51% interest in the property by incurring $3 million in expenditures. The Company would hold a 49% interest in a joint venture company ("JV") that would own the rights to the Tassa concessions. By incurring an additional $6 million in expenditures Teck may increase its ownership of the JV to 70%. The Company may, prior to the formation of JV, elect to surrender its 49% interest for a 2.5% NSR royalty that would reduce to a 1.5% NSR in exchange for a cash payment to Bear Creek of $1.25 million.

3.4) Generative Exploration

Generative exploration has been an important part of the business of identifying and acquiring new opportunities. However, as a result of the Company's focus on the Corani Project generative exploration efforts have been reduced. Generative exploration costs are those costs not attributable to a specific project.

Impuesto General a las Ventas ("IGV") – Peruvian value added tax

Bear Creek Mining S.A.C., the entity that will operate the Corani project, has a contract (the "IGV Contract") with the Ministry of Energy and Mines Peru ("MEM") . Under the terms of the IGV Contract the Company is able to recover, on an expedited basis, the IGV taxes associated with its Corani capital investments as described in the approved ESIA and the 2017 Corani Technical Report. The Company recovered S/ 2.8 million of Corani related IGV, equivalent to approximately $0.9 million during 2018. The Company did not file any recovery claims in 2019.

The IGV expense of $1.53 million represents IGV that was paid during the twelve months ended December 31, 2019 net of $0.1 million IGV recovered on April 1, 2019 related to the investment in the Corani project during late 2018 as per the above arrangement with the MEM.

Since the Company is in the exploration stage and there is no assurance that future revenues will be generated in Peru, non-capital investments in Corani IGV have been expensed as incurred. IGV is denominated in Peruvian soles, with a cumulative amount of IGV paid by the Company as of December 31, 2019 of $15.61 million (51.73 million soles), net of recoveries. Of the $3.2 million IGV balance attributable to Bear Creek Mining S.A.C., $1.6 million is available for expedited recovery, with the balance available for recovery once the project is in production. IGV credits can be carried forward indefinitely and can be applied to reduce future income taxes or future IGV.

Other Properties

Other properties are non-material exploration properties which management has determined are not an exploration priority at this time.

4) Results of Operations

Year ended December 31, 2019 as compared to the year ended December 31, 2018

For the year ended December 31, 2019, the Company had a loss of $17.7 million compared to loss of $10.0 million for the year ended December 31, 2018. The Company's loss per share for the year ended December 31, 2019 was $0.17, as compared to $0.10 for 2018.

During the year ended December 31, 2019, spending on the Corani property was $12.5 million which was an increase of $4.2 million from the $8.3 million spent during the year ended December 31, 2018. Detailed Engineering costs increased by $2.4 million while salary and consulting costs increased by $0.8 million, making up most of the cost increase in Corani Project costs. Other exploration costs rose to $2.3 million (2018 – recovery of $0.01 million) mostly due to value added tax paid of $1.5 million (2018 – credit of $0.2 million) and a $0.4 million increase in exploration spending on the Company's other exploration projects. During the year ended December 31, 2018, the Company recovered $0.5 million for expenditures from its joint venture partners.

During 2019, the Company invested additional funds into short-term deposits, earning interest income of $0.8 million compared to $0.3 million from the same source last year. During 2018, the Company received $1.1 million of interest from an arbitration award.

All other costs incurred by the Company during the year ended December 31, 2019 remained consistent with the year ended December 31, 2018.

Three month period ended December 31, 2019 as compared to the three month period ended December 31, 2018

For the three months ended December 31, 2019 the Company had a loss of $4.7 million compared to $2.2 million for the three months ended December 31, 2018. The Company's loss per share for Q4 2019 was $0.05 compared to $0.02 for Q4 2018.

During the three months ended December 31, 2019, spending on the Corani property was $3.5 million which was an increase of $0.9 million from the $2.6 million spent in the three months ended December 31, 2018, primarily due to the increase in Engineering costs, which increased by $0.7 million. During the three months ended December 31, 2018, the Company recovered $0.6 million of IGV from the Peruvian Government and also received $0.24 million in negotiable credits from the Government of Peru. Due to these credits and the IGV recovery, the Company's exploration activities during the three months ended December 31, 2018 resulted in an overall recovery of $0.7 million, compared to costs of $0.5 million incurred during the three months ended December 31, 2019.

All other operating costs remained consistent during the two periods.

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. The Company's interim consolidated financial statements are prepared in accordance with IFRS applicable to interim financial statements and are in US dollars.

Period	Revenues	Income (Loss) for the period (in millions)	Basic and fully diluted earnings (loss) per share
4th Quarter 2019	Nil	$(4.7)	$(0.05)
3rd Quarter 2019	Nil	$(3.5)	$(0.03)
2nd Quarter 2019	Nil	$(5.4)	$(0.05)
1st Quarter 2019	Nil	$(4.1)	$(0.04)
4th Quarter 2018	Nil	$(2.2)	$(0.02)
3rd Quarter 2018	Nil	$(2.6)	$(0.03)
2nd Quarter 2018	Nil	$(3.0)	$(0.03)
1st Quarter 2018	Nil	$(2.2)	$(0.02)

The principal recurring factors that cause fluctuations in the Company's quarterly results include the timing of vesting 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 or Peruvian sole cash balances. The principal non-recurring factors affecting the quarterly results include the level of detailed engineering expenditures and related expenses.

The increase in loss of $1.2 million in the 4th Quarter 2019 as compared to the 3rd Quarter 2019 is mostly attributable to increases of $0.8 million in Corani engineering and evaluation costs as well as $0.5 impact of foreign exchange movement due to the weakness of the US dollar compared to Peruvian Sol during the Quarter with the Company's community projects obligation denominated in Peruvian Soles.

The increase in loss of $0.9 million in the 3rd Quarter 2019 as compared to the 2nd Quarter 2019 is mostly attributable to increases of $0.7 million in Corani engineering and evaluation costs as well as an increase of $0.3 million in share-based compensation expense.

The increase in loss of $1.4 million in the 2nd Quarter 2019 as compared to the 1st Quarter 2019 is mostly attributable to an increase of $1.7 million in Corani property expenditures, and an increase of $0.3 million in foreign exchange loss, partially offset by a $0.7 million decrease in share based compensation.

The increase in loss of $1.9 million in the 1st Quarter of 2019 as compared to the 4th Quarter of 2018 is due to an increase of $1.3 million in exploration and evaluation costs, an increase of $0.8 million in share based compensation due to incentive stock option grants to directors officers and employees in the 1st Quarter of 2019, and decline of $0.1 million in other income and expenses offset by a decrease of $0.3 million in Corani engineering and evaluation costs.

The decrease in loss of $0.4 million in the 4th Quarter of 2018 as compared to the 3rd Quarter of 2018 is mostly attributable to a reduction of exploration and evaluation costs of $0.9 million, an increase in Corani expenditures of $0.5 million, reduction of share based compensation of $0.1

million, a decrease in arbitration costs of $0.1 million, a decrease arbitration award interest accrual of $0.5 million, an increase in foreign exchange gain of $0.2 million and an increase in finance income of $0.1 million.

The decrease in loss of $0.4 million in the 3rd Quarter of 2018 as compared to the 2nd Quarter of 2018 is mostly attributable to a reduction of Corani expenditures of $0.1 million, reduction of share based compensation of $0.1 million and a foreign exchange gain of $0.1 million in the 3rd quarter as compared to a $30,000 loss in the 2nd quarter.

The increase in loss of $0.8 million in the 2nd Quarter 2018 as compared to the 1st Quarter 2018 is mostly attributable to $0.9 million increase in Corani property expenditures.

The decrease in loss of $1.5 million in the 1st Quarter 2018 as compared to the 4th Quarter 2017 (excluding the $31.0 million arbitration Award) is mostly attributable to a $1.4 million decline in Corani property expenditures along with the accrual of $0.4 million interest on the Santa Ana Award, partially offset by an increase in share-based compensation of $0.3 million.

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, 2019, 2018 and 2017.

		2019		2018		2017
Revenues		Nil		Nil		Nil
Income (Loss) for the year (in millions)		$(17.7)		$(10.0)		$18.0
Earnings (Loss) per share (basic and diluted)		$(0.17)		$(0.10)		$0.17
Total assets (in millions)		$118.0		$132.0		$129.0
Total non-current financial liabilities (in millions) [1]		$11.5		$11.1		$1.2
Dividends declared		Nil		Nil		Nil

[1] On June 27, 2018 the Company received construction permits for processing facilities and mining installations, resulting in the recognition of a life of mine community projects obligation of $11 million.

The income earned during fiscal 2017 was as a result of the award of $31 million from the ICSID arbitration proceedings against the Peruvian Government with respect to the Santa Ana project.

5) Liquidity and Capital Resources

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 no source of revenue and has significant cash requirements to fund its development project capital requirements, continue with its exploration programs, administrative overhead and maintain its mineral properties.

Of the $22.1 million in cash and cash equivalents and short term investments, as of December 31, 2019, approximately $1.1 million (CDN$1.5 million) was denominated in Canadian dollars, $0.09 million (Soles 0.3 million) was denominated in Soles, with the remaining balance in US dollars. The Company's major exploration and development expenditures for 2020 are expected to be denominated in US dollars. The Company generally invests its cash and cash equivalents in Canadian government backed paper, Canadian chartered bank corporate paper with short-term maturities, Peruvian bank time deposits, or Peruvian chartered bank commercial paper with short-term maturities. During the year ended December 31, 2019 the Company had a cash outflow from operating activities of $13.88 million compared to a cash inflow of $23.04 million during the year ended December 31, 2018. During 2018, the Company received $32 million from the ICSID arbitration award from the Peruvian Government. Total cash spent on operating activities during 2018 amounted to $9 million.

As of December 31, 2019, the Company's net working capital (current assets less current liabilities) was $19.8 million compared to net working capital of $39.3 million as of December 31, 2018. Cash and cash equivalents and short term investments at December 31, 2019 totaled $22.1 million compared to $40.7 million as of December 31, 2018. The decrease is primarily due to funding operating activities associated with Corani community contributions and other operating activities during the period, as well as working capital adjustments.

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 for the Corani Project with the Government of Peru.

The Company believes its current cash balances are sufficient to fund its planned exploration, development and corporate overhead activities for at least the next twelve months.

On July 26, 2016 the Company closed a bought deal financing and received net proceeds of $19.46 million. By December 31, 2019, the Company had spent the entire proceeds of which $9.18 million related to costs associated with detailed engineering, $0.53 million for permitting work, and $2.24 million on pre-production infrastructure projects. The other costs incurred from the net proceeds of the 2016 financing related to: $0.27 million for costs of the offering, $2.27 million for IGV; $0.85 million for exploration costs and $4.12 million for general working capital expenses.

On February 6, 2020, the Company issued 7,905,000 common shares at a price of CDN$2.10 per share for gross proceeds of CDN$16.60 million. The underwriters who purchased the shares received a cash fee equal to 6% of the gross proceeds. The Company intends to use the net proceeds to carry out early development works at its Corani Project.

The Company's contractual obligations, including payments due for each of the next five years and thereafter are summarized below.

(000's)	2020	2021	2022	2023	2024 and Beyond	Total
Accounts payable and accrued liabilities	$ 1,350	$ -	$ -	$ -	$ -	$ 1,350
Provisions	-	-	-	-	200	200
Community Projects	-	1,205	1,205	1,205	20,487	24,102
Financing arrangement costs	700					700
Other liabilities	67	40	40	40	1,129	1,316
Office space leases	358	274	80	-	-	712
Vehicle rentals	353	-	-	-	-	353
	$ 2,828	$ 1,519	$ 1,325	$ 1,245	$ 21,816	$ 28,733

As at April 16, 2020, the Company had 111,264,064 outstanding common shares. The Company also had 7,701,750 share purchase options outstanding with a weighted average exercise price of CDN$2.03.

6) Related Party Transactions

Compensation of Key Management Personnel

The remuneration of the directors, president and chief executive officer, the chief operating officer, chief financial officer, and vice president of project (collectively, the key management personnel) for the years ended December 31, 2019 and 2018 were as follows:

	Note	Years Ended December 31 **2019 (000's)**	2018 (000's)
Salaries and directors' fees	(i)	**$ 1,536**	$ 1,408
Share-based compensation	(ii)	**2,215**	1,764
		$ 3,751	$ 3,172

(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.

Amounts due to key management personnel are unsecured, non-interest bearing and due on demand. As at December 31, 2019 $nil (December 31, 2018 - $1,134) was due to key management personnel for unpaid director fees.

7) Key Accounting Estimates and Judgments

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. 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 and Judgments

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. *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.

iv. *Lease obligations:* The Company has recognized obligations for its vehicle and warehouse leases in Peru. The recognition of such lease obligations require the Company to estimate the term of the leases and the Company's incremental borrowing rate.

8) Changes in Accounting Policies and New Accounting Pronouncements

The Company adopted the IFRS 16 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.

IFRS 16

The Company leases various office spaces, warehouses, equipment and vehicles. As at the date of the adoption of IFRS 16, most of the Company's leases for office spaces and warehouses were for short periods or were nearing expiry. The leases for vehicles are generally for three to twelve months with an option to renew at the end of the respective terms. Until December 31, 2018, all leases of the Company were classified as operating leases and payments made were charged directly to profit or loss.

From January 1, 2019, leases are recognized as a right-to-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment and with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less. Low value assets comprise office equipment.

The Company adopted IFRS 16 retrospectively from January 1, 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. Therefore, the adjustments arising from the new leasing rules were recognized in the opening balance sheet on January 1, 2019.

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard.

- Account for leases with a remaining term of less than 12 months as of January 1, 2019 as short-term leases;
- Application of a single discount rate to a portfolio of leases with similar characteristics;
- 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
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to its vehicle leases in Peru, the lease of certain warehouses in Peru and an office space in Canada. Even though such assets are leased for a shorter period, management considers all facts and circumstances that create the economic incentive to exercise the extension options for such leases. The Company estimated the term of all its leases to be completed by the end of its fiscal year 2020. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 10%. The associated right-of-use assets were measured at the value of the lease liability. As a result, on January 1, 2019, the Company recognized total lease liabilities and right-of-use assets of $0.83 million. The right-of-use assets are subsequently amortized based on the terms of their leases.

A continuity of the Company's lease liabilities and right-of-use assets is as follows:

Lease Liabilities	**Office space and Warehouse (000's)**	**Vehicles (000's)**	**Total (000's)**
Balance as of December 31, 2018	**-**	**-**	**-**
Adoption of IFRS 16	196	632	828
Additions	655	-	655
Payments	(277)	(352)	(629)
Accretion expense	17	18	35
Change in estimate	(20)	-	(20)
Impact of foreign exchange	(1)	4	3
Balance as of December 31, 2019	**570**	**302**	**872**
Less: current portion	(291)	(302)	(593)
Long-term portion as of December 31, 2019	**279**	**-**	**279**

Right-of-Use Assets	**Office space and Warehouse (000's)**	**Vehicles (000's)**	**Total (000's)**
Balance as of December 31, 2018	**-**	**-**	**-**
Adoption of IFRS 16	196	632	828
Additions	655	-	655
Amortization	(267)	(315)	(582)
Balance as of December 31, 2019	**584**	**317**	**901**

Financial Instruments

Fair Value

The Company's financial instruments as at December 31, 2019 consist of cash and cash equivalents, short-term investments, receivables, accounts payable and accrued liabilities, community projects obligation and other liabilities. The fair value of these instruments approximates their carrying value. There were no off-balance sheet financial instruments.

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

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.

Management of Capital

The Company's capital management objectives are to safeguard the Company's ability to support the Company's development and exploration of its mineral properties and support any expansion 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 to ensure the Company has the sufficient 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, 2019.

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 related to the fluctuation of foreign exchange rates. The Company operates in Peru, Canada and the United States, and a portion of its expenses are incurred in Canadian dollars and Peruvian Soles. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and the Peruvian Sol to the US dollar could have an effect 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, 2019, the Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and Peruvian Soles:

	December 31, 2019	
	Canadian Dollars (000's)	Peruvian Soles (000's)
Cash and cash equivalents, and short-term investments	1,479	291
Receivables	20	121
Accounts payable and accrued liabilities	(263)	(6,004)

Based on the above net exposures as at December 31, 2019, 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 $95,000 in the Company's loss for the year. A 10% depreciation or appreciation of the US dollar against the Peruvian Sol would result in a decrease/increase of approximately $168,000 in the Company's loss 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 and Peruvian financial institutions. Short-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian and Peruvian banks. These investments mature at various dates over the current operating period.

iii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has an ongoing planning and budgeting process in place to help determine the funds required to support the Company's operating requirements. The Company ensures that there are sufficient funds to meet its short-term business requirements by taking into account anticipated cash expenditures for its exploration and other operating activities, and its holdings of cash and cash equivalents, and short-term investments. 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 favorable terms.

As at December 31, 2019, the Company's financial liabilities consist of accounts payable and accrued liabilities and the current portion of other liabilities totaling $1.4 million, which are expected to be paid over the next twelve months, and the long-term portion of and other liabilities of $1.25 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 20 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, 2019 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 $108,000 in the interest earned by the Company per annum.

9) 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; (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) waste to ore ratios and mining rates; (vii) expected grades and payable ounces and pounds of metals; (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; and (xvi) adequacy of cash balances. 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 "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 projects 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 and estimates to be reasonable based on available information, they may prove to be incorrect. Many forward-looking statements are made assuming the correctness of other forward looking statements, such as estimates of net present value and internal rate of return, which are based on most of the other forward-looking statements and assumptions herein. cost information is prepared using current estimates, but the time for incurring 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 and Peruvian nuevo sol 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 Information Form for the year ended December 31, 2019 and in the feasibility study technical report for the Corani project dated September 13, 2017 as filed on the SEDAR website (available at www.sedar.com). 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.

7) 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 year ended December 31, 2019 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.

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