

**BEAR CREEK MINING CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Introduction

The following Management's Discussion and Analysis ("MD&A") of Bear Creek Mining Corporation (the "Company" or "Bear Creek") was prepared on March 27, 2012 and should be read in conjunction with the audited annual consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2011. All dollar amounts are expressed in United States dollars unless otherwise noted. Additional information relating to the Company, including the Company's annual information form, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Bear Creek's business is the acquisition, exploration and development of precious and base metal properties located principally in Peru. In addition to its ongoing exploration activities, the Company is advancing its 100%-owned Corani silver-lead-zinc project towards development. Bear Creek has no revenues from its mineral properties.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations.

Except where otherwise indicated, Bear Creek's exploration programs and pertinent disclosure of a technical or scientific nature are prepared by or prepared under the direct supervision of Marc Leduc, P. Eng., President and COO and Andrew Swarhout, P.Geo., CEO, who serve as the Qualified Persons under the definitions of National Instrument 43-101 ("NI 43-101").

Conversion to IFRS

As prescribed by the Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board, the Company adopted the requirements of the International Financial Reporting Standards ("IFRS") in its financial statements as of January 1, 2011, including the restatement of its opening consolidated balance sheet as at January 1, 2010 and its December 31, 2010 consolidated balance sheet, along with its consolidated statement of loss and comprehensive loss for the year ended December 31, 2010. The restatement of the Company's comparative balances from those previously reported under Canadian GAAP to those converted into IFRS is explained and reconciled in Note 17 of the Company's December 31, 2011 annual audited consolidated financial statements as filed on SEDAR.

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1) Forward-Looking Information

This document contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. This information and these statements, referred to herein as "forward-looking statements" are made as of the date of this MD&A or as of the date of the effective date of information described in this MD&A, as applicable. Forward-looking statements relate to future events or future performance and reflect current estimates, predictions, expectations or beliefs regarding future events and include, without limitation, statements with respect to: (i) the amount of mineral reserves and mineral resources; (ii) the amount of future production over any period; (iii) net present value and internal rates of return of the proposed mining operation; (iv) capital costs, including start-up, sustaining capital and reclamation/closure costs; (v) operating costs, including credits from the sale of silver, lead and zinc; (vi) strip ratios and mining rates; (vii) expected grades and payable ounces and pounds of metals and minerals; (viii) expected processing recoveries; (ix) expected time frames; (x) prices of metals and minerals; (xi) mine life; (xii) expected exploration and development programs and their timing and success; (xiii) expected taxation rates and structure; (xiv) expected mineralization; and (xv) 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 the project at modeled grades; (ii) the capacities of various machinery and equipment; (iii) the availability of personnel, machinery and equipment at estimated prices; (iv) exchange rates; (v) metals and minerals sales prices; (vi) appropriate discount rates; (vii) tax rates and royalty rates applicable to the proposed mining operation; (viii) the availability of financing and expected terms; (ix) financing structure and costs; (x) anticipated mining losses and dilution; (xi) metals recovery rates, (xii) reasonable contingency requirements; and (xiii) receipt of regulatory approvals on acceptable terms. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Many forward-looking statements are made assuming the correctness of other forward looking statements, such as statements of net present value and internal rate of return, which are based on most of the other forward-looking statements and assumptions herein. The cost information is also prepared using current values, but the time for incurring the costs will be in the future and it is assumed costs will remain stable over the relevant period.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that estimates, forecasts, projections and other forward-looking statements will not be achieved or that assumptions do not reflect future experience. We caution readers not to place undue reliance on these forward-looking statements as a number of important factors could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates assumptions and intentions expressed in such forward-looking statements. These risk factors may be generally stated as the risk that the assumptions and estimates expressed above do not occur, but specifically include, without limitation, risks related to exploration and development programs and their timing and success; risks relating to variations in the mineral content within the material identified as mineral reserves and mineral resources from that predicted; variations in rates of recovery and extraction; developments in world metals and minerals markets; risks relating to fluctuations in the Canadian dollar relative to other currencies; increases in the estimated capital and operating costs or unanticipated costs; difficulties attracting the necessary work force; increases in financing costs or adverse changes to the terms of available financing, if any; tax rates or royalties being greater than assumed; changes in development or mining plans due to changes in logistical, technical or other factors, changes in project parameters as plans continue to be refined; risks relating to receipt of regulatory approvals; the effects of competition in the markets in which the Company operates; operational and infrastructure risks; and the additional risks described in the Company's annual information form, annual financial statements and management's discussion and analysis for the year ended December 31, 2011 and in the feasibility study for the Corani project 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.

2) Highlights for the Year

In January 2011, the Company announced an update of the silver recovery for its Santa Ana project. The updated feasibility study is available on SEDAR at www.sedar.com. Using the base case silver price of \$14.50 per ounce for economic analysis, the economic results for the Santa Ana Project improved to a pre-tax Net Present Value ("NPV") of \$107 million at a 5% discount rate and 30% pre-tax Internal Rate of Return ("IRR").

In June 2011, the Peruvian government issued a Supreme Decree that reversed a Supreme Decree issued in 2007, which had granted the Company the right to acquire title over mineral concessions covering the Santa Ana Project. The Company and its legal advisors continue to strongly assert that the Company has complied with all legal requirements in obtaining its rights to acquire title under the 2007 Supreme Decree. Furthermore, the Company and its advisors maintain that Environmental and Social Impact Assessment ("ESIA") procedures, including public consultations which exceeded the ESIA requirements, were strictly followed in accordance with Peruvian law. The Company's position is that any modification or annulment to the 2007 Supreme Decree, which granted Bear Creek the right to acquire titles to the mineral concessions in accordance with Peruvian law, is without basis.

In July 2011, the Company filed an application for a Constitutional injunction in Peru, known as an Amparo, against the Peruvian Government. The objective of the legal action is to seek injunctive relief against the cancellation of the Company's rights to its Santa Ana mineral concessions until a court determines whether the Peruvian Government violated the Company's

constitutional rights when it issued the June 2011 Supreme Decree that resulted in the cancellation of the Company's authorization to acquire the Santa Ana mineral concessions.

In August 2011, a judge initially ruled that the legal action taken by the Company was inadmissible. In January 2012, the Company presented its case to the court and the inadmissibility ruling was overturned on appeal in February 2012. The Company anticipates that the court will rule on its legal action in 2012. The Company has stated in its legal action that it reserves the right to pursue international legal proceedings under the Free Trade Agreement between Canada and Peru.

The 2007 Supreme Decree for the Santa Ana project was required in order for a foreign controlled company to obtain title to mineral concessions located within the 50 kilometer border regions of Peru. The Santa Ana project falls within this border region. The 2011 Supreme Decree stated that while the 2007 Supreme Decree complied with all requirements for its approval, the basis for reversing the 2007 Supreme Decree is that conditions have changed relating to the 2007 measure being in the public and State's best interest; one of the requisite conditions for granting title to a foreign controlled company within the 50 kilometer border regions. The Company does not believe that conditions have changed which support the project being in the public's and State's best interest. The Company believes that the rationale for the new Supreme Decree stemmed from anti-mining protests in the southern Puno region of Peru, most of which occurred 150 kilometers from the Santa Ana project and never involved protests at site.

In February 2011, the Company prepaid its remaining \$23 million obligation to Rio Tinto on its 100%-owned Corani project. The \$23 million payment represents an 8% discount to the \$25 million principal amount of the liability that was originally due on September 30, 2011 (\$10 million) and June 30, 2012 (\$15 million). The \$23 million payment extinguished all security interests and encumbrances held by Rio Tinto over the Company and the Corani project.

In July 2011, the Company entered into land purchase agreements with land owners at Corani to acquire substantially all remaining surface rights access needed for mine operations. Additional surface rights access agreements will be required for smaller areas near the tailings dam and mine camp, and for the access road and power line.

In August 2011, the Company entered into an agreement to provide \$1.1 million of funding over a two-year period to the Municipality of Corani for construction of schools, community centers and other municipal infrastructure improvements. Approximately \$0.4 million has been paid to the Municipality of Corani to date.

In December 2011, the Company published a positive Feasibility Study (the "FS" or "Feasibility Study"), as defined by Canadian Securities Administrators NI 43-101, for its 100%-owned Corani silver-lead-zinc project ("Corani") on December 22, 2011. Corani is forecast to produce an average of 8 million payable ounces of silver, 105 million payable pounds of lead and 37 million payable pounds of zinc annually over its 20-year mine life. Total cash cost for the first five years is a negative \$(0.45)/oz silver, with a life-of-mine total cash cost of \$3.40/oz silver, net of base metals credits. The initial capital investment in the project is estimated to be \$574 million with sustaining capital expenditures during mine operations averaging \$7.2 million per year over the 20-year mine life. The project has an after-tax IRR of 17.6% and a NPV of \$463 million at a 5% discount rate when using base case metal prices of \$18/oz silver, \$0.85/lb lead and \$0.85/lb zinc.

In September 2011, the Peruvian legislature approved changes to its tax law for companies with tax stability agreements and companies without tax stability agreements. Bear Creek does not have a tax stability agreement with the Peruvian government, and will therefore be subject to two new income taxes generally based on its operating margins once it generates operating profits. In general terms, the royalty tax will be applied to operating profit at progressive rates from 1% to 12% based on the Company's operating margin (operating profit as defined, divided by sales), subject to a minimum tax of 1% of sales which is applicable regardless of the Company's operating margin. A special tax will also be applied to operating profit at progressive rates from 2% to 8.4% based on the operating margin of the Company. Other taxes that were previously assessed on profits include the 8% worker's participation tax and the 30% income tax, both of which continue in effect. The former 1% to 3% sliding scale royalty assessed on sales has been eliminated.

3) Development Projects

3.1) Corani Silver-Lead-Zinc Project

The 100%-owned Corani silver-lead-zinc project ("Corani") is located in the Andes Mountains approximately 160 kilometers southeast of Cusco, Peru at elevations from 4,800 to 5,100 meters above sea level. The project consists of twelve mineral concessions that form a contiguous block of ground covering approximately 5,700 hectares.

Current Developments at Corani

A Feasibility Study (the "FS" or "Feasibility Study"), as defined by NI 43 - 101, was prepared for Corani on December 22, 2011. Details of the Feasibility Study are summarized below.

During the year ended December 31, 2011, the Company incurred expenses of \$12.6 million on the Corani project. Included in this total are engineering costs of \$3.2 million; community contributions of \$1.1 million; geotechnical drilling to evaluate pit walls, tailings storage facility and waste dump sites of \$2.6 million; wages and benefits of \$2.3 million; supplies and general of \$2.0 million; and travel/haul road construction of \$1.0 million. The Company's accounting policy with respect to mineral properties and exploration costs is to expense exploration and evaluation costs, and to capitalize costs of acquiring mineral property interests.

The Company had \$73.9 million of capitalized acquisition costs related to the Corani project as of December 31, 2011 (December 31, 2010 \$69.6 million). During the current year, the Company capitalized costs for land purchase agreements relating to surface rights acquisitions totaling \$4.2 million.

For 2012, the Company has budgeted expenditures totaling \$10.2 million for the Corani project, principally for land acquisitions and activities relating to submission of the Environmental and Social Impact Assessment ("ESIA"). The Company anticipates that the ESIA will be submitted in July 2012.

Feasibility Study Summary

- The FS defines a significant undeveloped silver deposit containing proven and probable mineral reserves of 270 million ounces of silver, 3.1 billion pounds of lead and 1.7 billion pounds of zinc.
- The base case after-tax NPV is \$463 million at a 5% discount rate with an after-tax IRR of 17.6% (\$18/oz silver, \$0.85/lb lead and \$0.85/lb zinc). On a pre-tax basis, the base case NPV at a 5% discount rate is \$907 million with an IRR of 29.7%.
- At spot metals prices (\$34.64/oz silver, \$0.89/lb zinc, \$0.90/lb lead on November 8, 2011, the date of the initial press release of the Company announcing the FS), Corani has an after-tax NPV of approximately \$1.5 billion at a 5% discount rate and a 38% after-tax IRR (\$2.7 billion NPV and 60% IRR on a pre-tax basis).
- Average annual payable silver production is 13.4 million ounces per year for the first five years and 8 million ounces per year over the life-of-mine ("LOM"). On a silver equivalent ounce basis, average annual payable production is 23.0 million ounces per year for the first five years and 14.7 million ounces per year over the LOM.
- Cash cost is a negative \$(0.45) per ounce of silver for the first five years, with a LOM cash cost of \$3.40 per ounce of silver (net of base metal credits at \$0.85/lb lead and \$0.85/lb zinc).
- Project produces marketable lead and zinc concentrates. Metallurgical testing has established conventional flotation recoveries.
- Initial capital cost is \$574 million with capital payback of 3.8 years at base case metal prices, and 2.0 years at metal prices on November 8, 2011.
- Mine life is 20 years.
- Mill capacity is 22,500 tonnes per day.
- Stripping ratio is 1.69:1 (waste:ore).
- 89 million of measured and indicated silver resource ounces represent potential future reserve conversion.

The reserve and resource estimates were updated in the FS by Independent Mining Consultants ("IMC"), Tucson, Arizona. M3 Engineering of Tucson, Arizona led the FS with support from Blue Coast Metallurgy and Global Resource Engineering ("GRE") for tailings and geotechnical engineering. All are independent engineering and metallurgical testing firms with recent project development experience in Peru.

The FS is based upon assumptions derived from mine planning sequences completed by IMC and metallurgical test work performed by SGS Laboratories in Vancouver, BC and reviewed by Blue Coast Metallurgy. The mining sequence primarily derives ore from the higher-grade starter pits in the early years and moves to lower-grade areas in the later years of production. Operations are for 20 years based on current reserves. Only measured and indicated resources were used to establish the operations plan when converting resources to reserves.

In the mine sequence, only 270 million ounces contained within 156 million tonnes have been used as reserves in this plan. An additional 134 million tonnes of measured and indicated resource (containing 88.7 million ounces of silver at 20.5 g/t) and 49.8 million tonnes of inferred resource (containing 48.0 million ounces of silver at 30 g/t) remain that could be included in later plans of operations. About 89% of these resources are mixed sulfide and transition material

peripheral to the reserve pit. About 11% are contained within oxide mineralization, which outcrops at surface.

Key Assumptions for the Corani Project – Base Case	
Annual ore production – years 1 to end of life (tonnes)	7,875,000
Overall process recovery – silver – into both lead and zinc cons	64.2%
Overall process recovery – lead – into lead cons	71.1%
Overall process recovery – zinc – into zinc cons	51.6%
Total processed tonnes	156,130,000
Average silver grade (g/t)	53.8 g/t
Average lead grade (%)	0.90%
Average zinc grade (%)	0.49%
Payable ounces of silver net of smelter payment terms (total)	160.2 million
Payable pounds of lead net of smelter payment terms (total)	2.1 billion
Payable pounds of zinc net of smelter payment terms (total)	745 million
Overall stripping ratio	1.69 to 1
Life-of-mine (mining only) years	18
Life-of-mine (processing) years	20

Reserves are based on metal prices of \$18.00/oz silver and \$0.85 per pound for both lead and zinc. For the resources, metal prices of \$30.00/oz for silver and \$1.00/lb for both lead and zinc were used, representing the three-year backward and two-year forward metal prices weighted 60:40 from August 2011 which is consistent with the Company's policy and industry standards. The Feasibility Study recommends proceeding with project development based on:

- Robust economics at the base case assumptions with excellent exposure to up-side silver and base metals prices;
- Well-defined resources open to expansion and conversion to reserves;
- A solid metallurgical process producing highly marketable, separate lead and zinc concentrates;
- Favorable infrastructure for tailings storage, power and access,
- Available local water supply;
- Well-defined permitting process; and
- Local community acceptance and support.

Project Economics

Sensitivities to various parameters are summarized below for the after-tax case:

Case	IRR	NPV @ 5%	NPV @ 0%
Base Case	17.6%	\$463 M	\$947 M
Recovery +10%	20.7%	\$604 M	\$1,176 M
Recovery -10%	14.2%	\$319 M	\$710 M
Metal Price +10%	21.7%	\$658 M	\$1,268 M
Metal Price -10%	12.9%	\$261 M	\$610 M
Initial Capital Cost +10%	15.6%	\$424 M	\$912 M
Initial Capital Cost -10%	20.0%	\$502 M	\$981 M
Operating Cost +10%	16.1%	\$386 M	\$809 M
Operating Cost -10%	19.0%	\$537 M	\$1,077 M
Metal Prices November 8, 2011	37.7%	\$1,497 M	\$2,617 M

Note: Base case prices are \$18.00/oz Silver, \$0.85/lb Lead, \$0.85/lb Zinc; Spot prices are from November 8, 2011 and were \$34.64/oz Ag, \$0.90/lb Pb and \$0.89/lb Zn.

The financial analysis prepared for the Feasibility Study utilizes the tax regime recently enacted by the Peruvian government. For the base case assumptions, the project is expected to generate \$636 million of income related taxes (including mandatory workers profit sharing). At metal prices on November 8, 2011 (the date of the initial press release of the Company announcing the FS), the project would generate \$1.8 billion in taxes.

Reserve and Resource Estimate (December 22, 2011)

Mineral Reserves, \$10.54 NSR cut-off									
Category	Ktonnes	Contained Metal			Equivalent Ounces				
		Silver	Lead	Zinc	Eq. Silver	Eq. Silver			
		G/t	%	%	Million Ozs	Million Lbs			
Proven	30,083	66.6	1.04	0.60	64.4	690.4	399.9	115.7	119.6
Probable	<u>126,047</u>	<u>50.7</u>	<u>0.87</u>	<u>0.47</u>	<u>205.6</u>	<u>2,422.6</u>	<u>1,297.7</u>	<u>381.5</u>	<u>94.1</u>
Proven + Probable	156,130	53.8	0.90	0.49	270.0	3,113.0	1,697.6	497.2	99.1

Mineral Resources in Addition to Reserves, \$9.20 NSR cut-off									
Category	Ktonnes	Contained Metal			Equivalent Ounces				
		Silver	Lead	Zinc	Eq. Silver	Eq. Silver			
		G/t	%	%	Million Ozs	Million Lbs			
Measured	10,878	17.5	0.38	0.33	6.1	91.1	79.1	13.9	39.6
Indicated	<u>123,583</u>	<u>20.8</u>	<u>0.38</u>	<u>0.29</u>	<u>82.6</u>	<u>1,035.3</u>	<u>790.1</u>	<u>166.7</u>	<u>42.0</u>
Measured + Indicated	134,461	20.5	0.38	0.29	88.7	1,126.4	869.2	180.6	41.8
Inferred	49,793	30.0	0.46	0.28	48.0	509.4	305.2	86.2	53.9

Note: See regulatory footnotes at end of this section for calculation methods used for the reserve and resource and the silver equivalency calculation.

The FS incorporates an updated resource estimation and mine design performed in October 2011 by IMC based upon 93,577 meters of drilling and sampling in 544 diamond drill holes and trenches completed through May of 2009. The Company employs a Net Smelter Return ("NSR") method to determine ore and waste, with the cutoff NSR being \$10.54 per tonne. Measured and indicated resources contained within the Feasibility Study design pit were used to determine final pit limits and thus converted into proven and probable reserves, respectively. The additional resource material is mostly measured and indicated resource that occurs outside of the Feasibility Study pit but which meets the CIM definition of mineral resource.

Comparing the reserve and resource presented in the 2009 Pre-Feasibility Study ("PFS") with the Feasibility Study, the silver reserve ounces have increased by 5%, the measured and indicated resources have increased by 24% and the inferred resources have increased by 35%. While this is largely the result of higher metals prices, it is important to note that current drilling in the district is intersecting new mineralization indicating significant exploration upside that could potentially increase resources as well.

Metallurgical Testing

The Company has completed two phases of metallurgical optimization tests in order to define recoveries for the purposes of the FS reserve calculation. The results show that the Corani ore body can be divided into two types of ore; mixed sulfide and transitional ores. The mixed sulfide ore, which constitutes 84% of the mill feed, is a conventional polymetallic ore that uses standard processing methods and produces good quality concentrates. The remaining mill feed (16%) is transitional ore which is also treated using standard flotation but has reduced recovery of approximately 5% for silver and 15% for lead. The transitional ore also produces a lower grade concentrate; however, as it only constitutes 16% of the mill feed tonnes, the FS plan effectively blends the transitional ore to produce overall high quality concentrates.

Variance from PFS

The FS more accurately determines the recoveries into the zinc concentrate based upon final metallurgical test work. The recovery of zinc and silver varies with the feed grade of the ore, therefore reducing the recovered zinc and silver at lower zinc head grades (0.3% to 0.7% Zn) from those predicted in the PFS. Importantly, the lead portion of the recovery circuit and the recovery of silver in the lead circuit, where the best silver in concentrate commercial terms are obtained, is not affected by the reduced silver recoveries into the zinc concentrate. The Company believes that improved performance of the zinc circuit and continued improvement of silver recoveries into the lead concentrate at lower zinc feed grades represent opportunities during commercial operation.

Average Recoveries and Concentrate Grades of the Life of the Project

Average Recovery And Con Grades LOM				
	Lead Con		Zinc Con	
	Pb	Ag	Zn	Ag
Recovery	71.70%	60.30%	51.60%	3.90%
Average Concentrate Grades	56.60%	2.9 kg/t	53.00%	437 g/t

Mining and Milling

Mining will be performed using conventional open pit methods using 135 tonne trucks and a mixture of hydraulic excavators and wheel loaders mining on eight meter high benches. The mine requires minimal pre-production waste stripping of 16.2 million tonnes.

Processing of the ore will be by conventional flotation recovery methods. The ore will be crushed close to the mine and the material conveyed to the processing plant which will be approximately 500 meters from the mine. The ore will be ground to 80% passing 90 microns in a SAG/Ball mill circuit. The material will then be floated with the rougher concentrates being reground to 80% passing 30 microns prior to cleaning to produce high-value separate lead-silver and zinc concentrates. Concentrates will be trucked to the port of Matarani for ocean shipment to smelters.

Capital Costs

The project capital cost estimate has been prepared by three independent engineering companies. The mining costs were prepared by Independent Mining Consultants of Tucson, Arizona, the process and portions of the infrastructure capital cost have been prepared by M3 Engineering of Tucson, Arizona and the Tailings Storage Facility (the "TSF") and remaining infrastructure costs have been prepared by Global Resource Engineering (the "GRE"). The initial startup capital is estimated to be \$574 million and the sustaining capital cost is estimated to be \$7.2 million annually over the life of mine. The capital costs include detailed long-term plans for tailing dam expansions as well as ongoing capital (i.e. mine fleet replacement) and mine closure.

Operating Costs

Mining costs were prepared on a year by year basis with costs varying mostly due to changing haulage distances. The life-of-mine average mining costs will be \$1.42 per tonne of total waste and ore mined. The process costs are estimated to be \$8.44 per tonne of processed ore and the G&A is estimated to be \$1.40 per tonne of processed ore or \$11 million per year.

Infrastructure

The project has favorable infrastructure. Access will be via a new 63 km road to be built over flat topography resulting in low construction costs. The new road will connect to the Interoceanic Highway; a two-lane, paved highway connecting to the port of Matarani. The mine is 30 km from a new high-voltage power line with abundant capacity to meet the project needs. The project has an excellent low environmental impact site for tailings storage resulting in very low capital and operating costs, as the plant will be located immediately adjacent to the mine and the tailings will be pumped to the Tailings Storage Facility ("TSF"). The site is also located in the upper part of drainages with ample surface water supply and as such there are several surface and underground water source alternatives. The FS provides for the construction of a small water storage dam and water capture in the TSF.

Social and Environmental

The Company has maintained very good working relationships with the local communities and has continued to operate exploration and development activities at Corani without interruption. The Company owns all the land in the area of the mine and plant and is currently negotiating the

access rights for the ancillary facilities. The Company's commitment to the local communities has been further solidified with a recent agreement to provide \$1.1 million in aid over the next three years.

The project is designed to meet and, in many ways exceed, international standards of environmental compliance. The TSF has been designed by GRE to the highest standards of containment and stability. Importantly, the latest design technology will facilitate the permitting process. In the TSF, the Feasibility Study calls for the operation of a sulfide flotation plant that will capture and segregate the sulfide material in the central part of the TSF. This will result in the sulfide material never being exposed to the atmosphere during operations and following mine closure. This technology provides assurance that the TSF will not produce acid rock drainage, thus facilitating final closure of the TSF.

Furthermore, the waste rock storage facilities are designed to capture and manage any flows that may originate from the waste rock. A buffer layer of inert rock will be placed on the outside of the waste rock piles to mitigate the acid producing potential of the facilities. Additionally, the plan calls for partial backfilling of the mining pits so that long-term pit lakes will not form at closure. Finally, the closure plan provides for the covering of the tailing storage and waste rock facilities assuring safe and environmentally compliant closure of the mine.

Opportunities

The FS defines significant resources (134 million tonnes of measured and indicated containing 88.7 million ounces averaging 20.5 g/t Ag and 49.8 million tonnes of inferred resources containing 48 million ounces of silver averaging 30.0 g/t Ag) that are not included in the current mine plan. Depending upon future silver prices, these resources may be converted into reserves and incorporated into the mine plan. Additionally, numerous opportunities exist to discover new mineralization by continuing district exploration. Recent engineering and condemnation drilling has intercepted mineralization up to five kilometers from the current ore body in previously unexplored areas (see news release dated October 11, 2011).

Regulatory footnotes:

The block model estimate, mine design and schedules were prepared by Independent Mining Consultants of Tucson Arizona. John Marek P.E. acted as the independent qualified person as defined by Canada's NI 43-101. Additionally the methods used in determining and reporting the mineral reserves and resources are consistent with the CIM Best Practices Guidelines. The method used in the resource calculation is equivalent to the method used in the resource calculation shown in the Company's August 23, 2006 Press Release. For the resource estimate in the FS, the Company used metal prices based on a 3-year backward average and a 2-year forward price based on the metal markets in August 2011.

Assumptions used in the mineral reserve and FS model by IMC are: Silver Price=\$18.00/oz; Zinc Price=\$0.85/lb; Lead Price=\$0.85/lb; Mixed Sulfide Material Silver Recovery is fixed at 62% to lead con and an additional 14% to the zinc con when zinc head grade is greater than 0.7%, 10.4% Ag recovery when zinc head grade is from 0.7% to 0.5%, 6.3% recovery of silver to the zinc con when zinc head grade is from 0.5% to 0.3% and no silver recovery to the zinc con when zinc head grades are less than 0.3%. Zinc Recovery=67.5% to zinc con when the zinc head grade is greater than 0.7%, 50% Zn recovery when zinc head grade is from 0.7% to 0.5%, 30% recovery of zinc to the zinc con when zinc head grade is from 0.5% to 0.3% and no zinc recovery to the zinc con when zinc head grades are less than 0.3%. Lead Recovery=75% to lead con. For Transitional Material Silver Recovery= 38.5%+2*Ag Grade (g/t) (Maximum 70% recovery) to lead con and 0% to the zinc con, Zinc Recovery= 0% to zinc con and Lead Recovery= 38%+10.9*Lead Grade (%) (Maximum 65% recovery) to lead con. Average smelter charges including Treatment Charges and Refining Charges ("TCRC") and metal deducts against saleable metal: Silver= \$1.52 per ounce; Zinc= \$0.62 per pound; Lead= \$0.41 per pound; Mining Costs per tonne= \$1.34; Process cost per tonne= \$8.00; G&A per processed tonne= \$1.20; Pit Slopes= 42 degrees in mineralized tuff and 46 degrees in post-mineralized tuff. The resulting mineral reserve cutoff is \$10.54/tonne ore NSR. The mineral reserves are contained within a practical mining plan that utilized the 'floating-cone' method as an initial guide for design.

The mineral resource portion of the project is contained in a larger pit than the FS design pit, which was a floating cone using the following input assumptions: Silver Price=\$30.00/oz; Zinc Price=\$1.00/lb; Lead Price=\$1.00/lb; Mixed oxide material that was

given 0% recovery for the reserves was assumed to have an 85% recovery of silver, all other recoveries remained the same. The Mineral Resource cut-off was \$9.20/tonne which represents the internal process cutoff. All metallurgical material types were included in the resource.

All diamond drilling has been performed using HQ diameter core with recoveries averaging greater than 95%. Core is logged and split on site under the supervision of Bear Creek geologists. Sampling is done on two-meter intervals and samples are transported by Company staff to Juliaca, Peru for direct shipping to ALS Chemex, Laboratories in Lima, Peru. ALS Chemex is an ISO 9001:2000-registered laboratory and is preparing for ISO 17025 certification. Silver, lead, and zinc assays utilize a multi-acid digestion with atomic absorption (“ore-grade assay method”). The QC/QA program includes the insertion every 20th sample of known standards prepared by SGS Laboratories, Lima. A section in Bear Creek’s website is dedicated to sampling, assay and quality control procedures.

The FS was prepared by a team of independent engineering consultants. The mining and block model portion was prepared by Independent Mining Consultants of Tucson Arizona, John Marek, PE acting as QP. The process plant design was prepared by M3 Engineering, Dan Neff, PE acting as QP. Metallurgy and Process design criteria developed by Blue Coast Metallurgy Ltd. Chris Martin, CEng acting as QP. Geotechnical, environmental, infrastructure, waste stockpile and tailings designs were prepared by Global Resource Engineering Ltd., Chris Chapman, PE acting as the QP. Each of these individuals has read and approves the respective scientific and technical disclosure contained in this MD&A. Silver Equivalency calculation represents the contained equivalent silver ounces contained in the ground and is based on the resource metal prices assumptions of \$18.00/oz Ag, 0.85/lb Pb and 0.85/lb Zn and recoveries to concentrate of 64.2% for silver and 71.1% for lead and 51.6% for zinc. The calculation does not take into account the net smelter payment terms for the different metals in the two separate concentrates. The resulting equivalency is 1 oz Ag = 19.1 lb Pb and 1 oz Ag = 26.3 lb Zn.

Total cash cost per ounce of silver is calculated in accordance with a standard approved by The Silver Institute, a nonprofit international association that draws its membership from across the breadth of the silver industry. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measures of other companies. Total cash cost includes mine site operating costs such as mining, processing, administration, and treatment and refining charges, but is exclusive of amortization, reclamation, capital, exploration costs and taxes on income. Total cash costs are reduced by lead and zinc by-product revenues, and then divided by silver ounces sold to arrive at total cash cost of per ounce of silver, net of by-product revenues. Previously, the Company included reclamation costs as a component of its total cash cost per ounce of silver. The Company has elected to follow the Silver Institute’s cash cost standard, and has therefore excluded reclamation costs from its calculation of total cash cost per ounce of silver.

The foregoing disclosure regarding the Corani project contains forward-looking statements that are based on a number of assumptions which may prove to be incorrect, including but not limited to: the availability of financing of the Company’s Corani project; the Company’s ability to attract and retain skilled staff; the estimated timeline for the development of the Corani project; the supply and demand for, and the level and volatility of the price of silver, lead and zinc; the timing of the receipt of regulatory and governmental approvals, the supply and availability of consumables and services; the accuracy of the Company’s resource and reserves estimates and the geological and metallurgical assumptions (including the size, grade and recoverability of mineral resources and reserves) and operational and price assumptions on which the resource estimates are based; market competition; the Company’s ongoing relations with its employees and local communities; and general business and economic conditions. There is also no certainty that the results of the FS will ever be realized. Should one or more of the risks or uncertainties involved in forward-looking statements relating to the FS materialize, or should the assumptions underlying the FS prove incorrect, actual results of the FS may vary materially from those anticipated, believed, estimate or expected. See also “Forward-Looking Information” above.

3.2) Santa Ana Silver Project

The 100%-owned Santa Ana silver project (“Santa Ana”) is located 120 kilometers southeast of the city of Puno, Peru at an elevation of 4,150 to 4,300 meters. The project encompasses 5,400 hectares of mineral concessions. An updated feasibility study on Santa Ana, which incorporated three-stage crushing of ores, was completed on January 19, 2011. Further development of the project has been postponed pending resolution of the legal matter discussed below.

Current Developments at Santa Ana

In June 2011, the Peruvian government issued a Supreme Decree that reversed a Supreme Decree issued in 2007, which had granted the Company the right to acquire title over mineral concessions covering the Santa Ana Project. The Company’s position is that any modification or annulment to the Supreme Decree, granted in 2007 in full accordance with Peruvian law and

confirming Bear Creek's titles to its mineral concessions located within 50 kilometers of the territorial border, is illegal and without basis. The Company is hopeful that a negotiated settlement which remains the preferred outcome for the Santa Ana silver project despite the legal actions taken by the Company to counter the Supreme Decree issued by the Garcia government can be reached in order to achieve a mutually acceptable resolution. Management is confident that a resolution can be reached with the new government which will place this important investment for Peru back on the development track as Santa Ana is supported by local communities and will provide significant revenues, growth and local employment that will assist in reducing poverty in over eighteen communities located in the department of Puno, Peru.

The 2007 Supreme Decree was required in order for a foreign controlled company to obtain title to mineral concessions located within the 50 kilometer border regions of Peru. The Santa Ana project falls within this border region. The 2011 Supreme Decree stated that while the 2007 Supreme Decree complied with all requirements for its approval, the basis for reversing the 2007 Supreme Decree is that conditions have changed relating to the measure being in the public and State's best interest; one of the requisite conditions for granting title to a foreign controlled company. The Company does not believe that the conditions have changed that support the project being in the public's and State's best interest. The Company believes that the rationale for the new Supreme Decree stems from recent anti-mining protests in the southern Puno region of Peru, most of which occurred 150 kilometers from the Santa Ana project and never involved protests at site.

In July 2011 the Company filed an application for a Constitutional injunction in Peru, known as an Amparo, against the Peruvian Government. The objective of the legal action is to seek injunctive relief against the cancellation of the Company's rights to its Santa Ana mineral concessions until a court determines whether the Peruvian Government violated the Company's constitutional rights when it issued a Supreme Decree in June 2011 that resulted in the cancellation of the Company's authorization to acquire the Santa Ana mineral concessions.

In August 2011, a judge initially ruled that the legal action taken by the Company was inadmissible. In January 2012, the Company presented its case to the court and the inadmissibility ruling was overturned on appeal in February 2012. The Company anticipates that the court will rule on its legal action in 2012. The Company has stated in its legal action that it reserves the right to pursue international legal proceedings under the Free Trade Agreement between Canada and Peru.

In September 2011 the Company received notice of a civil lawsuit filed by the Ministry of Energy and Mines against the Company claiming that the titles to its Santa Ana mineral concessions were not acquired in accordance with Peruvian law. The Company has formally submitted arguments in its defense, and has requested the removal of the judge selected to hear the case due to a conflict of interest. In November 2011, the request to seek removal of the judge was accepted by the court. The selection and confirmation of a new judge to hear the case is expected in the coming weeks. The Company and its Peruvian legal counsel strongly maintain that the grounds of this action are without merit.

Substantially all detailed engineering and project development activities at Santa Ana have placed on since the third quarter of 2011 pending resolution of the Company's legal actions against the Peruvian government. The Company intends to continue and support its social programs that benefit the local community, which continue to express their support for development of Santa Ana.

During the year ended December 31, 2011, the Company incurred expenditures of \$3.2 million on the Santa Ana project. Included in this total are engineering expenditures of \$1.1 million, salaries and consulting of \$1.0 million, supplies and general of \$0.5 million, drilling and assaying of \$0.2 million, travel and access road construction of \$0.2 million and maintenance costs of \$0.2 million. The Company's accounting policy with respect to mineral properties and exploration costs is to expense exploration and evaluation costs, and to capitalize costs of acquiring mineral property interests.

Although the Company has filed a legal action against the Peruvian Government challenging its June 25, 2011 Supreme Decree that resulted in the cancellation of the Company's authorization to acquire the Santa Ana mineral concessions, the Company recorded an impairment loss of \$0.9 million in June 2011 on the full carrying amount of Santa Ana resource property costs due to the uncertainty and unknown timing of a favourable resolution to this matter.

For 2012, the Company has budgeted expenditures of \$1.1 million at Santa Ana, principally for legal costs relating to the 2011 Supreme Decree and community relations at the project site.

The Company released an updated NI 43-101 report on the Santa Ana project on April 1, 2011, which is available on SEDAR at www.sedar.com. A summary of the updated feasibility study is as follows:

Feasibility Study Summary

The following summary of the feasibility study for the Santa Ana silver project is contained within the feasibility study entitled "Revised Feasibility Study, Santa Ana Project, Puno, Peru, NI 43-101 Technical Report Update to the 21-Oct-2010 Report", dated April 1, 2011 to include the finer crushing of ore identified as an opportunity within the FS. The Report was prepared by Scott Elfen, PE, Sean Currie, P.Eng., and Thomas Wohlford, CPG, of Ausenco Vector, John Marek, PE, of Independent Mining Consultants, Inc. ("IMC"), and Deepak Malhotra, Ph.D., of Resource Development, Inc. The summary has been updated and conformed to be consistent with other disclosure within this MD&A.

A summary of the results of the Santa Ana feasibility study are as follows:

- Proven and probable mineral reserves containing 63.2 million ounces of silver are currently defined at Santa Ana;
- Santa Ana project pre-tax NPV of \$106.9 million at a 5% discount rate and pre-tax IRR of 30% at \$14.50 per ounce silver. After-tax NPV of \$80.3 million and after-tax IRR 25%;
- 11 year mine life producing a total of 47.4 million ounces of silver;
- Average annual saleable silver production of 5.0 million ounces per year for the first 6 years;
- Cash cost of \$8.72 per ounce silver for the 11 years LOM;
- Capital costs of \$70.8 million with capital payback in 3.0 years at \$14.50/oz silver;
- At \$37.63 per ounce silver (London Silver spot price fix on April 1, 2011, the date of the feasibility study), the project would have a pre-tax IRR of 145% and an NPV of \$859 million at a 5% discount rate. On an after-tax basis the IRR would be 84% and NPV \$422 million;

- Numerous upside opportunities are being explored including reductions in cash costs, and an extended mine life plan to include an additional 35.7 million ounces of silver; and
- The Santa Ana deposit remains open, mainly at depth and to the north where the northernmost holes contain up to 22 meters @ 124 g/t silver from surface.

Reserve and Resource Estimate (October 21, 2010)

Mineral Reserves (Cut-off Grade variable 27 to 24 g/t silver by year)					
Category	kt	Silver (g/t)	Lead (%)	Zinc (%)	Contained Silver (million oz.)
Proven	8,951	57.6	0.37	0.66	16.6
Probable	28,126	51.5	0.33	0.55	46.6
Proven + Probable	37,077	53.0	0.34	0.58	63.2
Mineral Resources in Addition to Reserves (Cut-off Grade = 15 g/t Silver)					
Measured	13,386	34.6	0.30	0.51	14.9
Indicated	51,337	35.1	0.30	0.50	57.9
Measured + Indicated	64,723	35.0	0.30	0.50	72.8
Inferred	21,632	40.6	0.32	0.49	28.2

Note: no lead and zinc will be recovered.

Key Project Assumptions

Item Description	Value
Annual Ore Production (Year 1 to end of mine life)	3,600,000 tonnes
Overall Process Recovery – Silver	70 percent
Total Processed Material	37,077,000 t
Average Silver Grade	53.0 g/t
Recovered Silver	47.4 million oz.
Overall Stripping Ratio	1.96:1
Life of Mine (mining only)	9.5 years
Life of Mine (processing)	11.2 years

Regulatory footnotes:

Assumptions used in the mineral reserve are consistent with the costs calculated used throughout the Santa Ana feasibility study and these are: Silver Price=\$14.50/oz; Silver Recovery=70% to a doré bar; Mining Costs per tonne= \$1.68; Process cost per tonne= \$3.19; G&A per processed tonne= \$1.17; Pit Slopes= 42 degrees in mineralized tuff and 46 degrees in post-mineralized tuff. A variable reserve cutoff of 24 to 27 g/t was used and this was employed to improve the IRR in the early years of operation. The mineral reserves are contained within a practical mining plan that utilized the “floating-cone” method as an initial guide for design.

The mineral resource portion of the project is contained in a larger pit than the Santa Ana feasibility study design pit. The method used in the resource calculation is equivalent to the method used in the resource calculation shown in the Company's May 26, 2009 Technical Report on the Santa Ana project (available under the Company's profile at www.sedar.com). For this resource estimate we have used metal prices based on a 3-year backward average and a 2-year forward price based on the current metal markets, Assumptions used in the resource model by IMC. silver price= \$16.00/oz; silver recovery= 70%; zinc recovery= 0%;

lead recovery= 0%; smelter charges: silver= \$0.40 per ounce; mining costs per tonne= \$1.67; process plus G&A cost per tonne = \$5.30; Pit Slopes= 40 degrees in all rock types.

The Santa Ana feasibility study was prepared by a team of independent engineering consultants. The mining and block model portion was prepared by Independent Mining Consultants of Tucson Arizona, with John Marek, PE acting as QP. The process plant design was prepared by Ausenco Vector in Peru with the metallurgy and process design criteria developed by Resource Development Inc., with Deepak Malhotra, Ph.D acting as QP. Geotechnical, environmental, infrastructure, waste stockpile and heap leach designs and financial modeling were prepared by Ausenco Vector, with Scott Elfen, PE, acting as the QP.

Onsite operating cost per ounce represent the sum of the mining, processing and site G&A divided by the silver ounces produced. Cash costs per ounce are consistent with the Gold Institute's definition, where in addition to the onsite costs; refining, dore transport and royalties are added and by-product credits are subtracted from the numerator of the calculation.

Additionally, the methods used in determining and reporting the mineral reserves and resources are consistent with the CIM Best Practices Guidelines.

All diamond drilling has been performed using HQ diameter core with recoveries averaging greater than 95%. Core is logged and split on site under the supervision of Bear Creek geologists. Sampling is done on two-meter intervals and samples are transported by Company staff to Juliaca, Peru for direct shipping to ALS Chemex, Laboratories in Lima, Peru. ALS Chemex is an ISO 9001:2000-registered laboratory and is preparing for ISO 17025 certification. Silver, lead, and zinc assays utilize a multi-acid digestion with atomic absorption ("ore-grade assay method"). The QC/QA program includes the insertion every 20th sample of known standards prepared by SGS Laboratories, Lima. A section in Bear Creek's website is dedicated to sampling, assay and quality control procedures.

Total cash cost per ounce of silver is calculated in accordance with a standard approved by The Silver Institute, a nonprofit international association that draws its membership from across the breadth of the silver industry. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measures of other companies. Total cash cost includes mine site operating costs such as mining, processing, administration, and treatment and refining charges, but is exclusive of amortization, reclamation, capital, exploration costs and taxes on income. Total cash costs are reduced by any by-product revenues, and then divided by silver ounces sold to arrive at total cash cost of per ounce of silver, net of by-product revenues.

The foregoing disclosure regarding the Santa Ana project contains forward-looking statements that are based on a number of assumptions which may prove to be incorrect, including but not limited to: capital cost estimates of the Company's Santa Ana project; the Company's ability to attract and retain skilled staff; the estimated timeline for the development of the Santa Ana project; the supply and demand for, and the level and volatility of the price of silver; the timing of the receipt of regulatory and governmental approvals, the supply and availability of consumables and services; the accuracy of the Company's resource estimates and the geological and metallurgical assumptions (including the size, grade and recoverability of mineral resources and reserves) and operational and price assumptions on which the Santa Ana feasibility study estimates are based; market competition; the Company's ongoing relations with its employees and local communities; and general business and economic conditions. There is also no certainty that the results of the Santa Ana feasibility study will ever be realized. Should one or more of the risks or uncertainties involved in forward-looking statements relating to the Santa Ana feasibility study materialize, or should the assumptions underlying the Santa Ana feasibility study prove incorrect, actual results of the Santa Ana feasibility study may vary materially from those anticipated, believed, estimate or expected. See also "Forward-Looking Information" above.

4) Exploration Projects

The Company continues to explore for additional gold and silver prospects in Peru. Base metals exploration prospects of potential are also considered, although the Company tends to seek partners for prospects that do not have a significant precious metals component. From time to time, precious or base metal exploration opportunities in other Latin American countries are considered when compatible with management's history and expertise. Several projects are under Bear Creek's review at any given time; including feasibility study, pre-feasibility and scoping study preparation, active drill evaluation, some being prepared for drilling, others in first pass mapping and sampling following staking or acquisition from third parties, and many in preliminary evaluation to decide if property ownership is possible or desired.

4.1) Tassa Silver-Gold Prospect

The 100% owned Tassa silver-gold prospect, located southeast of Arequipa in southern Peru, was acquired in 2007 by staking of mineral rights. Tassa is located approximately 160 kilometers northwest and 230 kilometers south of the Company's Santa Ana and Corani projects respectively.

Phase II drilling commenced in late October 2011 with an estimated 5,000 meters to be drilled in approximately 10 drill holes. Phase I drilling conducted in 2010 encountered numerous mineralized intercepts including 60 meters averaging 224.2 g/t silver from 24 to 84 meters depth and 40 meters averaging 110.7 g/t silver from 2 to 42 meters depth as well as scattered anomalous gold intercepts with up to 1.24 g/t gold over 2 meters. Phase I drilling tested a 1.5 km by 800 meter anomaly where 852 rock chip samples averaged 30.71 g/t silver. Silver (and gold) mineralization was intersected within multiple phases of breccias which are part of a diatreme breccia complex, strongly fractured rhyolitic volcanics, and brecciated sediments. See the Company's news release dated December 6, 2010.

Furthermore, phase II drilling is focused on new target areas defined within a 4 kilometer by 1 kilometer area where two-meter wide surface sampling has identified anomalous outcrops containing up to 2.51 g/t gold in silicified outcrops and 5.36 g/t gold in structures (assay values range from <5ppb to 5.36 g/t gold) and up to 203 g/t silver in strongly fractured rhyolite, and 8,160 g/t silver in selected structures (assay values range from <0.2 g/t to 8,160 g/t silver). The anomalies occur within the hydrothermal breccia complex and the Mesozoic sedimentary contact zone and overlie strong IP anomalies indicating sulfide mineralization at depths between 100 and 400 meters. See the Company's news release dated October 11, 2011.

Phase II drilling is testing for gold mineralization hosted within underlying favorable breccias and sediments. Seven holes have been drilled to date with anomalous gold intercepts in three of the holes of up to 52 meters containing 0.5 g/t gold. Surface mapping at Tassa continues to identify additional breccias to the north suggesting the continuation of the hydrothermal breccia complex below the Mesozoic sediments further expanding the target area. Stratigraphic studies suggest that the favorable sediments were not reached in phase I drilling; therefore, phase II drilling is testing deeper in the system (in excess of 500 meters depth in some drill holes) where favorable Mesozoic sedimentary formations which host the Canahuire/Chucapaca mineralization are believed to exist in contact with the breccia complexes.

Approximately \$1.6 million was spent on the Tassa project during 2011, with \$0.1 million budgeted for 2012.

4.2) Le Yegua Copper-Gold-Molybdenum Prospect

The La Yegua copper-gold-molybdenum prospect is located in central Peru approximately 20 kilometers northeast of the Los Chancas copper/gold/molybdenum deposit in a prolific porphyry copper belt also containing the Las Bambas, Huaquira, Constancia, Tintaya and Antapaccay deposits.

In October 2010 Bear Creek entered into a joint venture agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") to advance the La Yegua Project to phase II drilling. The agreement provides for JOGMEC to earn a 51% interest through investing US\$3M over a three year period. Previous limited drilling intersected up to 114 meters with 0.24% copper and 0.03 g/t gold, but was restricted to a small portion of the altered intrusive complex. The joint venture completed additional geophysics in early 2011 that identified two high-chargeability

anomalies defined by Induced Polarization/ Resistivity (“IP”) surveys. These two targets, measuring 700 x 300 meters and 500 x 300 meters, are located at shallow depths 600 meters east and 1.5 kilometers southwest of previous drilling and strongly suggest the presence of untested porphyry targets. See the Company’s news release dated April 6, 2011.

Three drill holes totaling 759 meters were drilled at La Yegua from September 2011 through December 2011, where intercepts of up to 0.2% to 0.3% copper were encountered over intervals of up to 20 meters. The next phase of drilling is expected to commence in the third quarter of 2012, and will likely include 1,000 meters of drilling in three to four holes. This program will continue to test the aforementioned two geophysical anomalies. Geological mapping both inside and outside the main target area will be done to identify possible geophysical and drilling targets.

Less than \$0.1 million was spent, net of reimbursements from JOGMEC, on the La Yegua project during 2011. The Company anticipates substantially all expenditures it makes on La Yegua in 2012 will be reimbursed by JOGMEC.

4.3) 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. The prospect exhibits alteration and mineralization typical of a volcanic-hosted, high and low-sulfidation precious metals system. To date, 111 surface rock chip samples have been collected at Sumi. Assay results for the 111 samples have returned precious metal values including 15.65 g/t gold and 156 g/t silver in a vein-breccia structure over widths of 0.3 to 2.0 meters and 12.1 g/t gold and 102 g/t silver over 2 meter widths in a silicified volcano-sedimentary rock. Fifty of the first 111 assay samples contained highly anomalous gold > 100 ppb. See the Company’s news release dated October 11, 2011. The prospect was partially tested in 2003 and 2006 by a third party with limited drilling reportedly intersecting multi-gram gold values over intervals ranging from 2 to over 47 meters and beginning at the surface. The limited drill program totaled approximately 4,600 meters; however, drilling did not test altered targets where ongoing sampling continues to identify anomalous gold in outcrop. Currently, field work indicates that an 800 by 400 meters prospective area remains untested. Furthermore, favorable sedimentary formations have been identified indicating potential for underlying gold mineralization at shallow depth. Plans are to complete detailed surface mapping, sampling and geophysics in preparation for phase I drilling scheduled for the second quarter of 2012.

Less than \$0.1 million was spent on the Sumi project in 2011. For 2012, the Company has budgeted \$0.9 million of expenditures on Sumi.

4.4) Generative Exploration

Generative exploration is a crucial part of the business of identifying and acquiring new opportunities. Generative exploration costs are those costs not attributable to a specific Bear Creek project. Bear Creek maintains at least two field teams and a system of field prospectors who focus on generating new exploration targets with the emphasis on gold and silver. Typically, dozens of prospects are submitted to or are generated by Bear Creek during any given quarter. At any given time, several targets may be under consideration for possible acquisition through staking or entering into third party option to purchase agreements. When Bear Creek defines a project as a distinct exploration target, it is then accounted for as a separate project.

IGV

IGV (Impuesto General a las Ventas - Peruvian value added tax) expense of \$2.0 million represents IGV that has been paid to the Peruvian government during 2011. This amount is expected to be recoverable when there are future revenues generated by the Company in Peru.

Since the Company is in the exploration stage, there is no assurance that future revenue will be generated in Peru; therefore, IGV has been expensed as incurred. IGV is denominated in Peruvian soles, with the total value of IGV paid by Bear Creek as of December 31, 2011 was \$9.9 million (26.7 million soles). IGV credits can be carried forward indefinitely.

Other Properties

Other properties are exploration properties which management has decided are not a priority or which management has chosen not to pursue and, therefore, has terminated option agreements.

5) Results of Operations

Year Ended December 31, 2011 as compared to the Year Ended December 31, 2010.

For the year ended December 31, 2011 the Company incurred a net loss of \$29.7 million as compared to a net loss of \$16.3 million for the year ended December 31, 2010, an increase in net loss of \$13.4 million. The Company's loss per share for 2011 was \$0.32 as compared to a loss per share of \$0.22 for 2010. The increase in net loss was principally due to a \$7.0 million increase in exploration and evaluation costs, a \$5.4 million increase in share-based compensation and a \$0.9 million impairment loss on the Santa Ana project. The 2011 increase in exploration and evaluation costs results from a \$10.3 million increase in Feasibility Study expenditures for the Corani project, which was partially offset by a \$2.9 million decrease in expenditures on the Santa Ana project due a third quarter 2011 stoppage of all project development activities as a result of the June 2011 Supreme Decree. The \$5.4 million increase in share-based compensation in 2011 was principally due to higher Black-Scholes option values as a result of higher share prices, and a higher number of option grants in 2011 as compared to 2010. In addition, the Company had a foreign exchange loss of \$0.3 million in 2011 as compared to a foreign exchange gain of \$0.3 million in 2010, principally due to the impact of fluctuations in Canadian and US dollar exchange rates on the Company's Canadian dollar cash balances. The Company also recognized a gain of \$0.8 million in 2011 on the early settlement of its remaining liability to Rio Tinto for the acquisition of the Corani project.

Three Months Ended December 31, 2011 as compared to the Three Months Ended December 31, 2010.

For the three months ended December 31, 2011 the Company incurred a net loss of \$8.7 million as compared to a net loss of \$4.4 million for the three months ended December 31, 2010, an increase in net loss of \$4.3 million. The loss per share was \$0.09 for the three months ended December 31, 2011 as compared to \$0.05 for the three months ended December 31, 2010. The increase in net loss for 2011 was principally resulted from a \$4.1 million increase in exploration and evaluation costs related to the Feasibility Study for the Corani project.

Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited interim consolidated financial statements prepared by management. The Company's interim consolidated financial statements are prepared in accordance with IFRS, and are expressed in US dollars. The presentation currency is the US dollar.

Period	Revenues	Loss from continuing operations for the period (in millions)	Basic and fully diluted loss per share from continuing operations
4 th Quarter 2011	Nil	\$8.7	\$0.09
3 rd Quarter 2011	Nil	\$9.6	\$0.10
2 nd Quarter 2011	Nil	\$6.8	\$0.07
1 st Quarter 2011	Nil	\$4.6	\$0.06
4 th Quarter 2010 ¹	Nil	\$4.4	\$0.05
3 rd Quarter 2010 ¹	Nil	\$4.1	\$0.06
2 nd Quarter 2010 ¹	Nil	\$5.3	\$0.08
1 st Quarter 2010 ¹	Nil	\$2.5	\$0.04

¹ restated and reported under IFRS.

The principal factors that can cause fluctuations in the Company's quarterly results include the timing and valuations attributable to stock option grants, expenditure levels on exploration projects, impairment losses on exploration projects and foreign exchange gains or losses related to Canadian dollar cash balances.

The decrease in loss for the fourth quarter of 2011 principally resulted from foreign exchange losses on Canadian dollar cash balances on September 30, 2011, versus foreign exchange losses on Canadian dollar cash balances at December 31, 2011. In addition, higher exploration expenditures were incurred in the fourth quarter primarily due to completing the Corani Feasibility Study. This increase was partially offset by higher share-based compensation costs in the third quarter of 2011.

The increase in loss for the third quarter of 2011 was principally due to an increase in Feasibility Study related expenditures on the Corani project, an increase in share-based compensation and an increase in foreign exchange loss.

The increase in loss for the second quarter of 2011 principally resulted from an impairment loss recorded on the Santa Ana project in the second quarter of 2011, and a gain on settlement of the Rio Tinto liability recorded in the first quarter of 2011.

The decrease in loss for the third quarter of 2010 resulted primarily from a reduction in feasibility study drilling costs on the Santa Ana project.

The increase in loss for the second quarter of 2010 was primarily due to an increase in drilling and other feasibility study activities on the Santa Ana Project.

The increase in loss for the first quarter of 2010 principally resulted from an increase in feasibility study expenditures on the Santa Ana Project and a decrease in the foreign exchange gain for the first quarter of 2010.

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, 2011, 2010 and 2009. The presentation currency is the US dollar.

	2011	2010**	2009*
Revenues	Nil	Nil	Nil
Loss from continuing operations for the year (in millions)	\$29.7	\$16.3	\$8.7
Loss per share from continuing operations (basic and diluted)	\$0.32	\$0.22	\$0.15
Total assets (in millions)	\$170.1	\$214.8	\$131.6
Total non-current financial liabilities (in millions)	\$1.9	\$13.7	\$23.1
Dividends declared	Nil	Nil	Nil

* Reported under Canadian GAAP

** Restated and reported under IFRS

6) Liquidity and Capital Resources

Of the \$95.0 million in cash and cash equivalents, and short term investments, as of December 31, 2011, approximately \$15.9 million (CDN\$16.1 million and Soles \$0.5 million) was denominated in Canadian dollars and Peruvian soles, with the remaining balance in US dollars. The Company's major exploration and development expenditures for 2011 were denominated in US dollars. The Company places its cash and cash equivalents in either Canadian government backed paper or in Canadian chartered bank corporate paper with short-term maturities.

As of December 31, 2011, the Company's net working capital was \$93.4 million compared to net working capital of \$131.8 million as of December 31, 2010. Cash and cash equivalents at December 31, 2011 totaled \$93.0 million compared to \$143.8 million as of December 31, 2010. The \$50.7 million decrease in cash and cash equivalents for the year ended December 31, 2011 principally resulted from \$22.2 million of expenditures for exploration and other operating activities during the year, payments totaling \$24.1 million to Rio Tinto in full settlement of all remaining amounts owed pursuant to the Corani purchase agreement, and \$2.7 million for the acquisition of surface rights at Corani.

As of March 27, 2012, the Company had 92,161,639 outstanding common shares. The Company also had 6,024,700 share purchase options outstanding with a weighted average exercise price of CDN\$4.93.

The Company believes its current cash balances are sufficient to fund its planned exploration and corporate overhead activities for at least the next twelve months. Construction of the Corani mine will require financing either by way of share issuance, debt financing and/or by other financing alternatives to meet the projected \$574 million capital requirement for the project.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations in the future. The Company has had no source of revenue to date, and has significant cash requirements to fund its development project capital requirements, continue with its exploration programs, administrative overhead and maintain its mineral properties.

The following table summarizes the contractual maturities of the Company's financial liabilities, and operating and capital commitments at December 31, 2011:

(000's)	2012	2013	2014	2015	2016 and beyond	Total
Accounts payable and accrued liabilities	\$ 1,762	\$ -	\$ -	\$ -	\$ -	\$ 1,762
Provisions	-	-	-	-	200	200
Other liabilities	544	592	221	291	799	2,447
Operating leases	153	146	44	-	-	343
	\$ 2,459	\$ 738	\$ 265	\$ 291	\$ 999	\$ 4,752

7) Related Party Transactions

a) Trading transactions

Certain of the Company's officers and directors render services to the Company as sole proprietors or through companies in which they are an officer, director or partner.

	Nature of transactions
DuMoulin Black LLP	Legal fees
Estudio Grau S.C.R.L.	Legal fees
Avisar Chartered Accountants (ended January 31, 2011)	Accounting fees
Chairman of the Board of Directors of Bear Creek (ended December 31, 2010)	Consulting fees

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

	Note	Year Ended December 31, 2011	Year Ended December 31, 2010
Legal fees	(ii)	\$ 284	\$ 369
Consulting fees	(i)	-	99
Accounting fees		9	129
		\$ 293	\$ 597

- (i) The Company paid fees to one of its directors for consulting services performed outside of their capacity as a director.
- (ii) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at December 31, 2011 included \$57 (December 31, 2010 - \$158) 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, chief executive officer, president and chief operating officer, chief financial officer and vice president of operations (collectively, the key management personnel) for the years ended December 31, 2011 and 2010 are as follows:

	Note	Year Ended December 31, 2011	Year Ended December 31, 2010
Salaries and directors' fees	(i)	\$ 932	\$ 580
Share-based compensation	(ii)	5,113	500
		\$ 6,045	\$ 1,080

- (i) Salaries and directors' fees include consulting fees disclosed above in section 7(a).
- (ii) Share-based compensation represents the expense for the years ended December 31, 2011 and 2010, translated at the foreign exchange rate on the date of grant.
- (iii) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended December 31, 2011 and 2010.

8) Critical Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities, as well as revenues and expenses. Management's critical accounting estimates are summarized below:

Resource property costs

Ownership in mineral properties involves certain inherent 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 characteristics of many mineral properties. The Company has investigated ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

Asset carrying values and impairment assessment

In accordance with the Company's accounting policy each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

The determination of fair value and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the income statement.

Determination of the fair value of stock-based compensation

The fair value of share-based compensation granted is computed to determine the relevant charge to the statement of operations. In order to compute this fair value the Company uses the Black-Scholes option pricing model, which requires management to make various estimates and assumptions in relation to the expected life of the award, expected volatility and the risk free rate.

Functional currency

The determination of a subsidiary's functional currency often requires significant judgment, where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method required.

9) Financial Instruments

The Company's financial instruments as at December 31, 2011 consist of cash and cash equivalents, short-term investments, receivables, accounts payable and accrued liabilities, and other liabilities. The fair value of these instruments approximates their carrying value. There were no off-balance sheet financial instruments.

Cash and cash equivalents consist solely of cash deposits with major Canadian banks.

The Company does not use derivative or hedging instruments to reduce its exposure to fluctuations in foreign currency exchange rates involving the Canadian dollar or Peruvian Sol.

10) Conversion to International Financial Reporting Standards (“IFRS”)

Effective January 1, 2011 Canadian publicly listed companies were required to prepare financial statements in accordance with IFRS for interim and annual periods. Due to the requirement to present comparative financial information, the effective transition date is January 1, 2010. The year ended December 31, 2011 was the Company’s first annual reporting period under IFRS.

The standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that the Company has selected. The International Accounting Standards Board is currently working on an extractive industries project, which could significantly impact our financial statements primarily in the areas of capitalization of exploration costs and disclosures. The impact of any new IFRSs and IFRIC Interpretations will be evaluated as they are drafted and published.

Note 17 to the consolidated interim financial statements included contains more detail on our key Canadian GAAP to IFRS differences, our accounting policy decisions and IFRS 1, First-Time Adoption of International Financial Reporting Standards, optional exemptions for significant or potentially significant areas that have had an impact on our financial statements on transition to IFRS or may have an impact in future periods. A summary of these differences is presented below:

Significant accounting impacts of conversion to IFRS

As a result of the accounting policy differences on conversion from Canadian GAAP to IFRS resulting from derecognition of the impact of future income tax liabilities which had previously been recognized on the acquisition of the Corani project, the Company recorded a reduction in the shareholders’ equity of \$728,000 as of January 1, 2010, and \$108,000, as of December 31, 2010, respectively. The following table summarizes the adjustments to shareholders’ equity on adoption of IFRS on January 1, 2010, and at December 31, 2010 for comparative purposes:

(000’s)	December 31, 2010	January 1, 2010
Equity under Canadian GAAP	\$ 188,544	\$ 77,212
Income tax recovery	(726)	(225)
Foreign exchange (gain) loss on deferred tax liability	618	(503)
Equity under IFRS	\$ 188,436	\$ 76,484

In transition to IFRS, the Company recorded a reduction in loss and comprehensive loss of \$959,000 for the year ended December 31, 2010. The following table summarizes the adjustments to loss and comprehensive loss for the year ended December 31, 2010 under IFRS:

(000's)	Year Ended December 31, 2010
Loss and comprehensive loss under Canadian GAAP	\$ 17,281
Share-based compensation	(339)
Income tax recovery	501
Foreign exchange (gain) loss on deferred tax liability	(1,121)
 Loss and comprehensive loss under IFRS	 \$ 16,322

The transition to IFRS resulted in minor presentation changes to the statement of loss and comprehensive loss, and no changes to the presentation of the balance sheet, statement of cash flows and statement of changes in equity.

Approval

The Audit Committee of Bear Creek has approved the disclosure contained in this MD&A.

Additional Information

Additional information relating to Bear Creek, including the Company's latest Annual Information Form, is on SEDAR at www.sedar.com