



Social Review – Corani Project, Puno, Perú

REPORT FOR
Bear Creek S.A.
PREPARED BY
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Acronyms

BCMC	Bear Creek Mining Company
DIA	Direct Influence Area
EIA	Environmental Impact Assessment
IIA	Indirect Influence Area
MINEM	Ministry of Energy and Mines
NGO	Non-Governmental Organization
OCG	On Common Ground Consultants
PC	Peasant community

Executive Summary

The Corani Mining Project is a silver/lead/zinc deposit under development by Bear Creek Mining Company (BCMC), a public company headquartered in Vancouver, Canada. The project is located in the Puno Region of southern Peru (Corani District, Carabaya Province), between 4350 and 5200 meters above sea level. The primary Project components are all located in the Chacaconiza watershed and include an open pit, processing facility, tailings facility, waste management storage facilities, quarries, organic material deposits, in pit water extraction wells, internal roads, camp and other auxiliary facilities. The concentrate will be transported 620 km southwest by truck to the Port of Matarani, located in Islay in the Arequipa region. In 2013, the Project Environmental and Social Impact Assessment was approved by the Ministry of Energy and Mines.

On Common Ground Consultants was contracted to conduct a social review, providing an updated analysis of the current state of social and community relations of the Corani Mining Project in its area of influence, including: the degree of local comprehension of Project characteristics, the relationship with BCMC, fulfillment of Project commitments to the community, intercultural dialogue in the context of indigenous communities and the current plans to contribute to local development. On Common Ground carried out a site visit in November 2019 to gather information and conduct interviews with the current leaders and authorities from the five communities comprising the project area of influence, and the mayors of Macusani and Corani. A review of Bear Creek Mining Company's systematized project information was also carried out.

The overall conclusion is that Bear Creek maintains a strong relationship with its key community partners, through fluid and ongoing dialogue, communication and mutual support. Specific findings include:

- District authorities (Corani and Macusani) and leaders from the five communities in the influence area have a good understanding of the Project characteristics and openly express their favorable position for an early Project startup. They expressed hope that Bear Creek will continue to create development opportunities and support local authorities in managing an efficient use of the Trust fund and their relationship with State entities.
- Bear Creek has successfully implemented an informational process and engagement strategy over the years based on a willingness to dialogue with the local communities. This has enabled the company to approach the population, understand the social and cultural context and establish the foundations of a good relationship with the Project's social area of influence, building a bond of trust.
- The implementation of a Framework Agreement and Trust fund, negotiated with the communities from the Project area of influence, has generated a strong foundation for the population to believe in the possibility of working together with Bear Creek. The creation of a win-win relationship has fostered a positive expectation for the initiation of the construction and operations stages.

2 Project Description and Social Context

The Corani Mining Project (Project) is a silver/lead/zinc deposit under development by Bear Creek Mining Company (BCMC), a public company headquartered in Vancouver, Canada. The project is located in the Puno Region of southern Peru (Corani District, Carabaya Province), between 4350 and 5200 meters above sea level. The primary Project components are all located in the Chacaconiza watershed and include an open pit, processing facility, tailings facility, waste management storage facilities, quarries, organic material deposits, in pit water extraction wells, internal roads, camp and other auxiliary facilities. The concentrate will be transported 620 km southwest by truck to the Port of Matarani, located in Islay in the Arequipa region. In 2013, the Project Environmental and Social Impact Assessment (EIA) was approved by the Ministry of Energy and Mines (MINEM).

The Peruvian Office of the Ombudsman's latest Social Conflict Report assigns the Puno region a fourth-place ranking in social conflict, with 7.1% of the overall conflicts registered countrywide. The September 2019 report notes 13 conflicts within the region, with nine related to formal and informal extractive companies (8 active and 1 latent). The environmental issues that generate the greatest social conflict relate to water contamination (e.g., wastewater discharged into Lake Titicaca tributaries), pollution (i.e., impacting animal and/or human health) and impacts to the traditional economy revolving around camelids (llamas, alpacas). According to the Puno Ombudsman, while mining opposition occurs in some Puno districts, the overall population is open to coexisting with mining as long as it is socially and environmentally responsible. Currently, no conflicts related to extractive activity are registered in Corani District.

The Project's area of influence is the Corani District; with the social direct influence area (DIA) comprised of the Chacaconiza and Quelcaya peasant communities (PC) and the indirect influence area (IIA) encompassing the Corani, Isivilla and Aymaña PCs. According to the Ministry of Culture's Database of Indigenous Peoples, all five communities are recognized as Quechua indigenous peoples, who continue to speak Quechua as their mother tongue. The Quechua is a large and diverse group, with a long history of occupation across various geographic areas of the Andean mountains. Quechua is considered the most widely spoken native language in Peru. In addition, according to the Project's EIA social baseline, the Puno region has the largest number of peasant communities, with approximately 22.43% of the national total.

Table 2-1 Communities within the Social Area of Influence

Peasant Community	Distance from Operation Area (km)	Approximate Population
Chacaconiza	16	353
Quelcaya	28	566
Chimboya	n/a	1172
Corani – Aconsaya	35	913
Isivilla	n/a	1078

Two other mining projects share borders with the Corani Project, including:

- Ollachea Project, where Minera IRL gave a 5% stake in the project to the Ollachea community in 2012; and
- Macusani Yellowcake (lithium), a subsidiary of a Canadian company, operating amidst concerns due to the lack of a regulatory framework specific for this type of mining exploration/exploitation.

3 Findings

The following analysis presents the current state of social relations in the area of influence. Issues considered include the local level of comprehension of the Project characteristics, the results of the engagement activities undertaken, fulfillment of Project commitments to the community, intercultural dialogue in the context of indigenous communities and the current plans to contribute to local development.

3.1 Project Understanding and Engagement

An essential starting point for establishing long-term relationships between mining companies and communities is for both parties to know and understand the environmental risks inherent in extractive activities and the intrinsic competition over the natural resources which underpin the economic livelihoods of the local populations. Being informed about the potential impacts is critical to building a platform for transparent dialogue, coexistence and long-term development.

A variety of informational activities have been developed with the communities of the DIA/IIA. The Project EIA was presented in two stages to local populations as mandated by the EIA regulatory process. The initial presentation represented the citizen participation process corresponding to the EIA and in 2018, a Prior Consultation was conducted focused on the DIA communities; both consultations were facilitated by the MINEM. During interviews with community authorities, they questioned the role of the State, in terms of its limited presence in the area and the minimal support provided to them by the official state mandated Prior Consultation process. This was contrasted with the stronger ties and communication established with the company.

Over a similar timeframe, BCMC provided training to youth from Quelcaya and Chacaconiza (the DIA) providing them with information, analysis and the capacity to communicate the details of the EIA within their own communities and to regional actors, as requested. During interviews with OCG, local leaders and community members recognized the importance of this training as a valuable resource for communicating the project details and its impacts in the local Quechua dialect. This greatly enhanced the understanding of the explanations provided by MINEM staff and their translators. Subsequent changes to the EIA¹ were also communicated via this mechanism, and community members interviewed were aware of those changes.

In general, the community leaders interviewed were knowledgeable of the project environmental impacts and had taken steps to organize participatory monitoring committees to collaboratively monitor the mining activities going forward with BCMC. Only the newly elected directors of Corani

¹ Changes to the project to redistribute components and reduce the project footprint, limiting it to the Chacaconiza PC, were approved by MINEM on the basis of two Sustaining Technical Reports.

PC indicated they did not have a copy of the EIA and were unaware if the community's board of directors had received it a time.

Meanwhile, interviews with general members of the population showed a good understanding of the Project and its impacts. The main concerns expressed in these interviews related to environmental impacts, fulfillment of management plans and job opportunities. Considering the years that have passed since the citizen participation workshops, there appears to be adequate knowledge of the potential impacts and a confidence on the part of the communities to be understood and evaluate them.

3.2 Social Relationships, Compliance and Transparency

Both BCMC and the Puno region were impacted during the period of significant conflict Peru experienced in 2011. To address this situation, the company modified the focus and approach of their engagement strategy, making it more targeted towards and accessible to the communities in the DIA. The main axis was reoriented towards social support actions and project benefits to the local population.

Thirteen families were resettled (12 occupants, 1 owner) and reported being satisfied that BCMC has fulfilled their commitments; including becoming affiliated with health insurance (EsSalud or SIS) through third generation descendants and being accompanied during medical consultations by company representatives in order to promote understanding, maintain close communication, clarify doubts and resolve concerns. Over time, complications or issues have occurred and these have been effectively resolved, as recorded by the BCMC staff that monitor the resettled families.

In 2013, after approval of the EIA, BCMC, the district municipality of Corani and the five peasant communities in the IIA negotiated a Framework Agreement committing BCMC to an annual contribution of four million PEN (approximately USD 1.2 million). The funds are deposited in a Trust Fund held at the Credit Bank of Peru and will be paid out over a period of 23 years; provided that the full, normal and continuous operation of the Mining Project is achieved. Representatives of the five IIA peasant communities interviewed recognized the establishment of the fund as a remarkable effort by BCMC to maintain good social relations prior to initiating mining activities and position itself as a strong ally in the area.

The respectful nature of social interaction with BCMC was confirmed in an interview with the Mayor of Macusani, where the Antapata sub-station² connecting the project to the national grid is located, approximately 30 km from the Project site. The town's own power supply is insufficient to provide reliable service; in discussions with the local authorities (mayor and councilors), BCMC committed to stabilize their electricity supply by providing access to the sub-station. However, bureaucratic barriers between government entities have limited progress in implementing the initiative, leading to frustrations among local authorities over the lack of progress by the Peruvian State. BCMC continues to support the actions advanced by the town's authorities.

² The Corani sub-station in Antapata connects the Project to the national grid, transforming the 138 kV to 22.9 kV.

Based on the information gathered and interviews conducted in November 2019, Bear Creek is supported by the local communities and municipalities. The Trust Fund and social programs have positioned them as well-intentioned allies, willing to collaborate with the communities. These actions, together with the logistical and legal support provided to the local citizen patrol groups (rondas campesinas), has provided BCMC with social acceptance with the five communities and the district. Both community and district level political leaders noted mutual respect in their relationships with the company, based on dialogue, listening and shared efforts. Their confidence is heightened by the focus BCMC has given to community development, contributing to their belief that the development of mining activity in the area will bring economic and social benefits. Nonetheless, they also emphasized the need to remain vigilant to ensure BCMC fulfills its obligations throughout the mine life including closure and post-closure.

In terms of the adequacy of information disclosure for an informed population, the information processes implemented by the State, and especially BCMC over the years, have provided suitable outreach to the population and established the basis for a good relationship between the company and its DIA.

3.3 Social Management and Intercultural Dialogue

Social performance and good community relations are fundamental to the effective management of a mining project. The challenge is to build relationships and understand the social context for operations. To accomplish this, it is essential to have a team committed and willing to listen and communicate, assuming responsibility for social management day to day, and representing the company before communities, local authorities and leaders. Commitment by senior management is also key and begins with the adoption of social and environmental responsibility policies that frame sustainable social management.

The Project is situated in an area dominated by peasant communities belonging to the indigenous Quechua peoples. The EIA identifies the alteration of local customs caused by the influx of foreign workers as an important social impact. Considering the social context, BCMC has formed a community relations team with mostly bilingual members (Spanish and Quechua). This decision has facilitated contact with the nearby communities and contributed to a better understanding of their local vision and ways of life; supporting the efforts to develop strategies for communication and contribution to local development, in the context of respecting the local culture and customs.

Another key aspect for sound management regards the distribution of benefits while respecting the autonomy of the communities involved. During the field work, Quelcaya and Chacaconiza PC leaders indicated they had initially found the negotiation difficult but were satisfied with the final agreement reached. In addition, the procedure for implementing the Framework Agreement has been adapted to fit the best course of action for the communities, respecting their timeframes and forms. In this manner, each community during assembly has reached agreement and prioritized the projects chosen for implementation within their localities with their portion of the annual distribution of the trust fund. The final project list is presented to the company for consultation. While the company's audit role is specified in the agreement and has not produced any major issues, the authorities from the DIA commented in the interviews that they hoped to expand the Trust's funding priorities to cover other aspects important to their communities.

Within the social programs promoted by BCMC, the alpaca project (SIMEAGE, a pilot centre for technological innovation for alpaca animal husbandry), has been revised several times in order to

respect the timeframes and decisions of local populations. According to BCMC staff interviews, the alpaca breeders welcome new proposals, but require time to change their practices. There is a proposal to implement a demonstration center for alpaca breeding best practice, demonstrating the improvements obtained in fiber quality. The intent is to affiliate producers gradually and of their own volition.

The textile program designed to encourage women's participation has highlighted gender issues within communities, which have been overcome in the course of implementing the project. In interviews conducted by OCG, both men and women indicated their agreement with the program given its monetary benefits. The production of artisanal fabrics from camelid fiber is a characteristic activity of women in the DIA. For Quechua peoples, the fabrics provide important links to identity and differentiate between diverse groups and communities; they are a central element in building interpersonal and intergroup human relationships (e.g. they are currently given as gifts of marriage, and initiation to traditional positions).

Despite the new economic opportunities for women, they are still underrepresented in political roles, including those related to the Trust. As part of the women-focused program, BCMC is training women with the objective of promoting self-knowledge and confidence to be heard and to lead by 2020.

3.4 Sustainability of Programs and Plans

Another key aspect for a peaceful and sustained coexistence between local populations and mining companies is based on strengthening local development. BCMC's social policy and relationship strategy, propose building the foundation for local development through initiatives that develop local potential. Youth in the DIA are in agreement over the importance of generating their own financial resources without reliance on the company.

The social programs and Framework Agreement focus on lines of action that promote human development. Under the Trust funds to be disbursed by the Bank of Credit of Peru require compliance with the criteria stipulated in the framework agreement for: health, nutrition, education, and strengthening productive activities involving the economic or social development of local populations. The following table provides the detail of the annual amounts destined for each community

Table 1 Annual Fund Dispersed by Community

Zone	Amount (S/.)
PC. Chacaconiza	1,100,000
PC. Quelcaya	900,000
PC. Isivilla	500,000
PC. Corani-Aconsaya	500,000
PC. Aymana (Chimboya)	500,000
Committee for Productive Projects (1 Municipality + 5 communities).	500,000
TOTAL	S/.4,000,000

Source: Framework Agreement

To guide peasant communities in the best use of the funds provided under the trust, and at the request of the populations, BCMC participates in meetings with various groups. The meetings involve evaluating the opportunities for contributing to sustainability, and decisions are made with regard to whether to proceed with a project and to assist in negotiations with contractors and/or suppliers to achieve the objectives.

The Trust's first fund disbursements have provided key elements that can serve as the basis for sustainable community development. However, information obtained during fieldwork indicates that in many cases, community development plans are reduced to a list of projects that, although prioritized for implementation, lack a relationship with each other or alliances with other local initiatives to constitute a sustainable development project.

For its part, BCMC has contributed by promoting partnerships with the nearest State entities, such as district municipalities, through the signing of agreements and in contributing to the development of communal plans. Experience shows that tripartite work - between civil society, the mining company and the State - ensures the sustainability of local dialogue and development processes. For example, in 2012, BCMC, the Municipality of Corani and the Special South American Camelid Project signed an agreement for the genetic improvement of alpacas, coordinating actions to avoid duplication of activities at the district level.

As well, BCMC has developed social programs with the DIA communities in education, health, agriculture, livestock, textile and sports issues. In addition to these core programs, there are various courses and trainings for technological innovation aimed at DIA young adults between the ages of 20 and 35, as well as agricultural initiatives in other geographic areas related to the project through its auxiliary components. These ventures lack written plans or signed agreements; according to BCMC Human Resources, their continuity is maintained by the ongoing participation of the interested parties.

Rivalries are beginning to appear between the IIA and DIA communities over the preference given to the DIA in the community-oriented social programs. During field interviews, members of the Corani's PC population noted that women already in BCMC's textile program have an advantage in competing for space in the training programs offered by the company. Women from Isivilla and

Chimboya also expressed hope for the opportunity to participate. While other IIA communities were aware of their distance from the Project, they still hoped to receive benefits. Faced with these expectations, BCMC is uncertain about its intervention with the broader IIA in the next stage of the mining process. Regardless of the social responsibility decisions made by the company, these expectations require a more strategic and politically sensitive communication with the IIA communities.

Employment opportunities in the mining operation have generated high expectations from the community. According to the Project EIA, the construction phase will require 1500 skilled and unskilled labor, with 50% expected to come from Carabaya province. During operations, an estimated 440 people will be employed. This number exceeds the workforce available in the Chacaconiza and Quelcaya PC. To accommodate the need, the company plans to train local community members from both communities.

Following the EIA's approval in 2013, training programs were initiated in compliance with the commitments published. The Community Relations area signed agreements with technical institutes such as SENATI and SENCICO. However, these were suspended, in a collaborative decision with community leaders, due to the lack of clarity regarding the start of construction. During interviews, community leaders and members expressed their hope that the mine would be built and provide access to jobs, although they also agreed on the importance of developing their own economic initiatives.

The high job expectations represent a social risk for the company that must be managed from the outset. It is crucial to generate a local employee recruitment plan under a strategy that considers expanding recruitment zones in an orderly manner. It is also important to continue developing actions aimed at the social and economic development of the area.

Appendix A. Documents Reviewed

No.	Documents reviewed
1	Acuerdo Marco
2	Informe de sistematización 2018
3	Esquema de ordenamiento urbano del CC Chacaconiza
4	Estudio del impacto ambiental del Proyecto Corani
5	Informe técnico sustentatorio del Proyecto Corani para la optimización de la disposición final de relaves filtrados, hacia el tajo y depósito de desmonte de mina y relave principal y cambios en los parámetros de sus diseños con consecuente reducción de área
6	Segundo informe técnico sustentatorio del Proyecto Corani