

**BEAR CREEK MINING CORPORATION**

**(An Exploration Stage Company)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**Three Months Ended March 31, 2012 AND 2011**

**EXPRESSED IN US DOLLARS**

**Bear Creek Mining Corporation***(An Exploration Stage Company)***Interim Condensed Consolidated Statements of Financial Position***US Dollars (000's)**(Unaudited)*

	Note		March 31, 2012		December 31, 2011
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	\$	87,258	\$	93,027
Short-term investments	4		2,036		2,004
Receivables and prepaid expenses			215		689
			<b>89,509</b>		95,720
<b>Non-current assets</b>					
Equipment and leasehold improvements			387		395
Resource property costs	5		74,131		73,936
<b>TOTAL ASSETS</b>		\$	<b>164,027</b>	\$	170,051
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities		\$	1,664	\$	1,762
Current portion of other liabilities	6		509		544
			<b>2,173</b>		2,306
<b>Non-current liabilities</b>					
Other liabilities	6		1,913		1,903
Provision for site restoration			200		200
			<b>4,286</b>		4,409
<b>EQUITY</b>					
Share capital	8		263,729		263,729
Contributed surplus			20,702		17,605
Deficit			(124,690)		(115,692)
			<b>159,741</b>		165,642
<b>TOTAL LIABILITIES AND EQUITY</b>		\$	<b>164,027</b>	\$	170,051

Commitments (Note 11)

ON BEHALF OF THE BOARD:

Signed "Catherine McLeod-Seltzer", DirectorSigned "Nolan Watson", Director

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

**Bear Creek Mining Corporation***(An Exploration Stage Company)***Interim Condensed Consolidated Statements of Loss and Comprehensive Loss**

For the Three Months Ended March 31

US Dollars (000's, except share data)

*(Unaudited)*

	Note	2012	2011
<b>Operating expenses</b>			
Exploration and evaluation costs	5	\$ 5,153	\$ 3,109
Share-based compensation		3,097	2,303
Wages and management salaries		357	268
Professional and advisory fees		325	141
Shareholder information and filing fees		173	194
General office expenses		76	82
Travel		72	46
<b>Loss before other items</b>		<b>9,253</b>	<b>6,143</b>
<b>Other income and expense</b>			
Foreign exchange gain		(216)	(578)
Gain on settlement of financial liability	7	-	(765)
Finance income		(43)	(114)
Other losses		4	6
<b>Loss and Comprehensive Loss for the Period</b>		<b>\$ 8,998</b>	<b>\$ 4,692</b>
<b>Loss per Share – Basic and Diluted</b>		<b>\$ 0.10</b>	<b>\$ 0.05</b>
<b>Weighted Average Number of Shares Outstanding</b>		<b>92,161,639</b>	<b>91,985,889</b>

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

**Bear Creek Mining Corporation**  
*(An Exploration Stage Company)*

**Interim Condensed Consolidated Statements of Cash Flows**

For the Three Months Ended March 31

US Dollars (000's)

(Unaudited)

	Note	2012	2011
<b>Operating Activities</b>			
Loss for the period		\$ (8,998)	\$ (4,692)
Adjustments for:			
Amortization		25	16
Gain on settlement of financial liability	7	-	(765)
Loss on investments		4	6
Share-based compensation		3,097	2,303
Interest income		(6)	(8)
Unrealized foreign exchange gain		(259)	(554)
		(6,137)	(3,694)
Changes in current assets and liabilities:			
Receivables and prepaid expenses		481	(64)
Accounts payable and accrued liabilities		(99)	(435)
Cash used in operating activities		(5,755)	(4,193)
<b>Investing Activities</b>			
Purchase of equipment and leasehold improvements		(17)	(158)
Resource acquisition costs		(195)	(268)
Payment of Corani obligation		(54)	-
Cash used in investing activities		(266)	(426)
<b>Financing Activities</b>			
Payments to Rio Tinto Mining and Exploration Limited		-	(24,100)
Share capital issued - net		-	105
Cash used in by financing activities		-	(23,995)
<b>Effect of exchange rate change on cash and cash equivalents</b>		<b>252</b>	<b>553</b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>(5,769)</b>	<b>(28,061)</b>
Cash and cash equivalents – Beginning of Period		93,027	143,764
<b>Cash and Cash Equivalents – End of Period</b>		<b>\$ 87,258</b>	<b>\$ 115,703</b>

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

**Bear Creek Mining Corporation***(An Exploration Stage Company)***Interim Condensed Consolidated Statements of Changes in Equity***US Dollars (000's, except share data)**(Unaudited)*

	Share Capital (Number of Shares)	Share Capital (Amount)	Contributed Surplus	Deficit	Total
<b>December 31, 2010</b>	<b>91,961,139</b>	<b>\$ 262,542</b>	<b>\$ 11,863</b>	<b>\$ (85,969)</b>	<b>\$ 188,436</b>
Options exercised	82,500	105	-	-	105
Fair value of options exercised	-	54	(54)	-	-
Share-based compensation	-	-	2,303	-	2,303
Net loss for the period	-	-	-	(4,692)	(4,692)
<b>March 31, 2011</b>	<b>92,043,639</b>	<b>\$ 262,701</b>	<b>\$ 14,112</b>	<b>\$ (90,661)</b>	<b>\$ 186,152</b>
<b>December 31, 2011</b>	<b>92,161,639</b>	<b>\$ 263,729</b>	<b>\$ 17,605</b>	<b>\$ (115,692)</b>	<b>\$ 165,642</b>
Share-based compensation	-	-	3,097	-	3,097
Net loss for the period	-	-	-	(8,998)	(8,998)
<b>March 31, 2012</b>	<b>92,161,639</b>	<b>\$ 263,729</b>	<b>\$ 20,702</b>	<b>\$ (124,690)</b>	<b>\$ 159,741</b>

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

**Bear Creek Mining Corporation**  
(An Exploration Stage Company)

**Notes to Interim Condensed Consolidated Financial Statements**

**March 31, 2012**

US Dollars (000's except share data)

(Unaudited)

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**1. Nature of Business**

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

Bear Creek is a public company incorporated in British Columbia, Canada with shares listed on the TSX Venture Exchange and the Lima Stock Exchange. The head office, principal address and records office of the Company are located at 625 Howe Street, Suite 1050, Vancouver, British Columbia, Canada, V6C 2T6.

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

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**2. Basis of Preparation**

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies adopted are consistent with those of the previous financial year. The interim condensed consolidated financial statements were approved by the Board of Directors on May 7, 2012.

All dollar amounts are presented in thousands of US dollars unless otherwise specified.

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**3. Cash and cash equivalents**

	<b>March 31, 2012</b>	December 31, 2011
Cash	\$ 4,856	\$ 25,544
Discounted commercial paper	15,000	-
Investment savings account	67,402	67,483
	<b>\$ 87,258</b>	<b>\$ 93,027</b>

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**Bear Creek Mining Corporation**  
(An Exploration Stage Company)

**Notes to Interim Condensed Consolidated Financial Statements**

**March 31, 2012**

US Dollars (000's except share data)  
(Unaudited)

**4. Short-term Investments**

	<b>March 31, 2012</b>	December 31, 2011
Common shares – Magellan Minerals Ltd.	\$ 7	\$ 10
Term deposits	<b>2,029</b>	1,994
	<b>\$ 2,036</b>	\$ 2,004

Term deposits included in short-term investments have maturities of greater than three months, but less than one year, and are redeemable at any time.

**5. Resource Property Costs**

	<b>Corani Project</b>
Balance at December 31, 2011	\$ 73,936
Land acquisition costs	195
<b>Balance at March 31, 2012</b>	<b>\$ 74,131</b>

**a) Corani Project**

On February 27, 2009 the Company entered into an amendment agreement (the "Amendment Agreement") with Rio Tinto in respect of its purchase of Rio Tinto's remaining 30% interest in the Corani Project. Under the Amendment Agreement, Rio Tinto agreed to restructure the final two cash payments of \$15 million previously due September 30, 2009 and \$25 million previously due December 31, 2009. In consideration for deferring these payments, the Company agreed to make additional payments to Rio Tinto of \$2.2 million. The restructured payments were as follows:

- \$5 million due December 31, 2009 (paid December 2009)
- \$10 million due December 31, 2010 (paid December 2010)
- \$10 million due September 30, 2011 (paid February 2011)
- \$15 million due June 30, 2012 (paid February 2011)

Bear Creek agreed to make the following additional payments in consideration for restructuring the payable, in either cash or shares at the option of Bear Creek:

- \$1.1 million upon signing of the Amendment Agreement (paid by the issuance of 1,021,266 shares of Bear Creek in March 2009).
- \$1.1 million due on January 10, 2011 (paid January 2011).

On February 3, 2011, the Company entered into an amending agreement whereby Rio Tinto accepted a payment of \$23 million in lieu of and in full satisfaction of the final two cash payments required to complete the Company's purchase of a 100% interest in the Corani project of \$10 million due September 30, 2011 and \$15 million due June 30, 2012.

**b) Santa Ana Project**

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

**Bear Creek Mining Corporation**  
(An Exploration Stage Company)

**Notes to Interim Condensed Consolidated Financial Statements**

**March 31, 2012**

*US Dollars (000's except share data)*

*(Unaudited)*

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On June 25, 2011 the Company was notified that the Peruvian Government issued a Supreme Decree that reversed an earlier Supreme Decree issued in 2007, which granted the Company the right to acquire title to mineral concessions covering the Santa Ana project. The Company filed a legal action against the Peruvian Government seeking injunctive relief against the cancellation of its Santa Ana mineral concessions until a Peruvian court can rule on the matter. Although the Company believes that the annulment of the 2007 Supreme Decree represents a violation of the Company's rights, an impairment loss of \$0.9 million was recorded against the carrying amount of Santa Ana resource property costs at December 31, 2011 due to the uncertainty and unknown timing of a favourable resolution to this matter.

**c) La Yegua Project**

The La Yegua gold-copper prospect is located in southern Peru and was acquired by staking of mineral rights in 2004. In 2010 the Company entered into an agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") that provides for JOGMEC to earn a 51% interest in the project by funding \$3.0 million of qualified expenditures by March 31, 2014. Approximately \$1.3 million of qualified expenditures has been incurred by JOGMEC as of March 31, 2012.



**Bear Creek Mining Corporation**  
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**Notes to Interim Condensed Consolidated Financial Statements**

**March 31, 2012**

*US Dollars (000's except share data)*

*(Unaudited)*

<b>Exploration and evaluation costs:</b>	<b>Three Months Ended March 31, 2012</b>	<b>Three Months Ended March 31, 2011</b>
<b>Corani</b>		
Assaying and sampling	\$ 19	\$ -
Community relations	370	60
Drilling	880	-
Engineering	925	287
Environmental	210	36
Salary and consulting	236	55
Supplies and general	523	246
Travel and camp expenses	345	77
	<u>3,508</u>	<u>761</u>
<b>Santa Ana</b>		
Assaying and sampling	-	23
Engineering	-	483
Maintenance costs	30	-
Salary and consulting	73	556
Supplies and general	58	277
Travel	2	85
	<u>163</u>	<u>1,424</u>
<b>Tassa</b>		
Assaying and sampling	40	7
Drilling	435	-
Maintenance costs	-	1
Salary and consulting	145	57
Supplies and general	110	84
Travel	41	43
	<u>771</u>	<u>192</u>
<b>La Yegua</b>		
Maintenance costs	4	12
Salary and consulting	17	171
Supplies and general	51	57
Travel	-	18
Recovery of costs	(112)	(102)
	<u>(40)</u>	<u>156</u>
<b>Generative</b>		
Assaying and sampling	13	11
Maintenance costs	2	10
Salary and consulting	131	98
Supplies and general	34	11
Travel	43	45
	<u>223</u>	<u>175</u>
<b>Other Properties</b>	37	7
<b>Value added tax</b>	491	394
<b>Costs for the Period</b>	<b>\$ 5,153</b>	<b>\$ 3,109</b>

**Bear Creek Mining Corporation**  
(An Exploration Stage Company)

**Notes to Interim Condensed Consolidated Financial Statements**

**March 31, 2012**

US Dollars (000's except share data)

(Unaudited)

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**6. Other liabilities**

The Company has entered into land purchase agreements with local landowners for surface rights access to the Corani project. The agreements provide for periodic payments of up to \$0.8 million over a 10-year period beginning in August 2011. The total amount owed under the agreements was approximately \$2.6 million, of which \$0.9 million was paid as of March 31, 2012. All amounts have been capitalized as mineral properties.

The Company also entered into an agreement to provide the Municipality of Corani with \$1.1 million of funding for the construction of schools and other improvements to the community as determined by the Municipality of Corani. All community contributions have been expensed as of March 31, 2012.

Balance as of December 31, 2011	\$	2,447
Less: payments		(54)
Foreign exchange loss		29
		<hr/>
Balance as of March 31, 2012	\$	2,422
<b>Less: current portion of other liabilities</b>		<b>509</b>
		<hr/>
<b>Other liabilities – March 31, 2012</b>	<b>\$</b>	<b>1,913</b>

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**7. Due to Rio Tinto Mining and Exploration Ltd.**

Due to Rio Tinto – December 31, 2010	\$	24,759
Accretion on obligation to Rio Tinto		106
Less: payment made to Rio Tinto		(24,100)
Gain on derecognition of liability		(765)
		<hr/>
<b>Due to Rio Tinto – March 31, 2011</b>	<b>\$</b>	<b>-</b>

The Company's obligation to Rio Tinto arose from its purchase of Rio Tinto's 30% interest in the Corani silver-lead-zinc project (Note 5a). Amounts owed to Rio Tinto were non-interest bearing and were recorded at their present value. The accretion on the present value of the obligation was capitalized to resource property costs.

On January 10, 2011, the Company paid Rio Tinto \$1.1 million. On February 4, 2011, the Company paid Rio Tinto \$23 million in full settlement of remaining amounts due under the purchase agreement of \$10 million, originally due September 30, 2011, and \$15 million, originally due June 30, 2012, resulting in a gain on settlement of the Rio Tinto liability of \$0.8 million. The \$23 million payment extinguished all security interests and encumbrances held by Rio Tinto over the Company and the Corani project.

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**Bear Creek Mining Corporation**  
(An Exploration Stage Company)

**Notes to Interim Condensed Consolidated Financial Statements**

**March 31, 2012**

US Dollars (000's except share data)  
(Unaudited)

**8. Capital**

**Authorized share capital**

Unlimited number of common shares without par value

**Share Purchase Options**

The Company has established a share purchase option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than ten years from the date of grant or such lesser period as determined by the Company's Board of Directors. The exercise price of an option is determined by the Board of Directors, but it cannot be less than the closing price on the TSX Venture Exchange on the trading date preceding the date of grant, less the maximum discount permitted under TSX policies applicable to share purchase options. Vesting terms for each grant are also set by the Board of Directors. The option plan provides that the aggregate number of shares reserved for issuance under the plan which may be made subject to options at any time and from time to time (including those issuable upon the exercise of pre-existing options) shall not exceed 10% of the total number of issued and outstanding shares, on a non-diluted basis, as constituted on the grant date of such options. At March 31, 2012, a total of 3,191,463 options were reserved under the option plan with 6,024,700 options outstanding.

a) Movements in share options during the period

The changes in share options during the period ended March 31, 2012 and the year ended December 31, 2011 were as follows:

	<b>March 31, 2012</b>		<b>December 31, 2011</b>	
	<b>Number of options</b>	<b>Weighted average exercise price (in CDN\$)</b>	<b>Number of options</b>	<b>Weighted average exercise price (in CDN\$)</b>
Options outstanding, beginning of the period	3,440,500	5.97	2,336,000	4.14
Granted	2,651,200	3.73	1,353,000	8.85
Exercised	-	-	(200,500)	3.36
Expired	-	-	(10,000)	8.08
Forfeited	-	-	(38,000)	8.65
Cancelled	(67,000)	10.77	-	-
Options outstanding, end of the period	<b>6,024,700</b>	<b>4.93</b>	<b>3,440,500</b>	<b>5.97</b>

**Bear Creek Mining Corporation**  
*(An Exploration Stage Company)*

**Notes to Interim Condensed Consolidated Financial Statements**

**March 31, 2012**

*US Dollars (000's except share data)*

*(Unaudited)*

b) Fair value of share options granted

During the period ended March 31, 2012, the Company granted options to directors, officers and employees to purchase up to 2,651,200 common shares of the Company at a weighted average exercise price of CDN\$3.73 per share. The estimated fair value of the stock options granted during the period ended March 31, 2012 was \$5,710 using the Black-Scholes option pricing model.

During the year ended December 31, 2011, the Company granted options to directors, officers and employees to purchase up to 1,353,000 common shares of the Company at a weighted average exercise price of CDN\$8.85 per share. The estimated fair value of the stock options granted during the year ended December 31, 2011 was \$6,951 using the Black-Scholes option pricing model.

	<b>2012</b>	2011
Expected dividend yield	<b>0.00%</b>	0.00%
Expected stock price volatility	<b>81.28%</b>	77.67%
Risk-free interest rate	<b>1.28%</b>	2.14%
Expected life of options	<b>3.9 years</b>	3.9 years
Grant date fair value	<b>\$2.15</b>	\$5.14

Option pricing models require the input of subjective assumptions including the expected price volatility and the expected option life. Changes in these assumptions can materially affect the estimated fair value of the stock options granted.

c) Share options outstanding at the end of the period

A summary of the Company's options outstanding as at March 31, 2012 is as follows:

Options Outstanding	Options Exercisable	Price per Share	Remaining contractual life (years)	Expiry Date
445,000	445,000	CDN\$7.99	0.13	May 16, 2012
150,000	150,000	CDN\$4.95	1.25	July 2, 2013
845,500	845,500	CDN\$1.24	1.83	January 27, 2014
100,000	100,000	CDN\$1.90	2.39	August 18, 2014
150,000	150,000	CDN\$4.00	2.54	October 14, 2014
240,000	240,000	CDN\$4.12	2.94	March 8, 2015
90,000	67,500	CDN\$8.80	3.65	November 23, 2015
75,000	56,250	CDN\$9.95	3.68	December 6, 2015
120,000	90,000	CDN\$8.30	3.84	February 1, 2016
818,000	613,500	CDN\$10.77	3.98	March 23, 2016
340,000	170,000	CDN\$4.01	4.43	September 2, 2016
75,000	18,750	CDN\$3.67	4.77	January 4, 2017
2,576,200	644,050	CDN\$3.73	4.82	January 23, 2017
<b>6,024,700</b>	<b>3,590,550</b>		<b>3.10</b>	

The weighted average exercise price of exercisable options at March 31, 2012 is CDN\$5.23.

**Bear Creek Mining Corporation**  
*(An Exploration Stage Company)*

**Notes to Interim Condensed Consolidated Financial Statements**

**March 31, 2012**

*US Dollars (000's except share data)*

*(Unaudited)*

**9. 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.

	<b>Nature of transactions</b>
DuMoulin Black LLP	Legal fees
Estudio Grau S.C.R.L.	Legal fees
Avisar Chartered Accountants (ended January 31, 2011)	Accounting fees

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

	<b>Three Months Ended March 31, 2012</b>	<b>Three Months Ended March 31, 2011</b>
Legal fees	\$ 151	\$ 110
Accounting fees	-	9
	<b>\$ 151</b>	<b>\$ 119</b>

- (i) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at March 31, 2012 included \$63 (December 31, 2011 - \$66) 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) during the three months ended March 31, 2012 and 2011 were as follows:

	<b>Note</b>	<b>Three Months Ended March 31, 2012</b>	<b>Three Months Ended March 31, 2011</b>
Salaries and directors' fees		\$ 516	\$ 473
Share-based compensation	(i)	2,580	1,924
		<b>\$ 3,096</b>	<b>\$ 2,397</b>

- (i) Share-based compensation represents the non-cash expense for the three months ended March 31, 2012, translated at the grant date foreign exchange rate.  
(ii) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three months ended March 31, 2012 and 2011.

**Bear Creek Mining Corporation**  
(An Exploration Stage Company)

**Notes to Interim Condensed Consolidated Financial Statements**

**March 31, 2012**

US Dollars (000's except share data)  
(Unaudited)

**10. Segmented Information**

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

<b>Total Assets</b>	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Peru	\$ 76,169	\$ 75,166
Canada	87,790	94,849
United States	68	36
	<b>\$ 164,027</b>	<b>\$ 170,051</b>

<b>Total Non-Current Assets</b>	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Peru	\$ 74,511	\$ 74,325
Canada	5	4
United States	2	2
	<b>\$ 74,518</b>	<b>\$ 74,331</b>

<b>Net Loss (Income)</b>	<b>Three Months Ended March 31, 2012</b>	<b>Three Months Ended March 31, 2011</b>
Peru	\$ 5,214	\$ 3,120
Canada	3,800	1,580
United States	(16)	(8)
	<b>\$ 8,998</b>	<b>\$ 4,692</b>

**11. Commitments**

- The Company entered into an operating lease for office space commencing January 2012 through December 2014. The total minimum lease payments are \$4 per month.
- The Company entered into an operating lease for office space commencing December 2010 through December 2013. The total minimum lease payments are \$8 per month.
- In January 2011 the Company entered into an operating lease for office space commencing February 2011 through December 2011. The Company extended its lease for an additional six months, ending June 30, 2012. The total minimum lease payments are \$2 per month.