

**BEAR CREEK MINING CORPORATION**

**(An Exploration Stage Company)**

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

**Nine Months Ended September 30, 2014 and 2013**

**EXPRESSED IN US DOLLARS**

**Bear Creek Mining Corporation**  
*(An Exploration Stage Company)*  
**Interim Consolidated Statements of Financial Position**

US Dollars (000's)  
(Unaudited)

	Note	September 30, 2014	December 31, 2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 38,283	\$ 46,970
Short-term investments	5	26	3,221
Receivables and prepaid expenses		358	688
		<b>38,667</b>	<b>50,879</b>
<b>Non-current assets</b>			
Equipment and leasehold improvements		252	294
Resource property costs	6	77,460	77,316
<b>TOTAL ASSETS</b>		<b>\$ 116,379</b>	<b>\$ 128,489</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 1,126	\$ 936
Current portion of other liabilities	7	335	1,234
		<b>1,461</b>	<b>2,170</b>
<b>Non-current liabilities</b>			
Other liabilities	7	820	1,051
Provision for site restoration		200	200
		<b>2,481</b>	<b>3,421</b>
<b>EQUITY</b>			
Share capital	8	265,531	264,573
Contributed surplus		29,477	28,095
Deficit		(181,110)	(167,600)
		<b>113,898</b>	<b>125,068</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 116,379</b>	<b>\$ 128,489</b>

Commitments (Note 11)

ON BEHALF OF THE BOARD:

Signed "Catherine McLeod-Seltzer", Director

Signed "Nolan Watson", Director

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

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

**Interim Consolidated Statements of Loss and Comprehensive Loss**

For the Nine Months Ended September 30

US Dollars (000's, except share data)

(Unaudited)

	Note	Three Months Ended September 30		Nine months Ended September 30	
		2014	2013	2014	2013
<b>Operating expenses</b>					
Corani engineering and evaluation costs	6	\$ 2,582	\$ 2,417	\$ 5,426	\$ 7,025
Exploration and evaluation costs	6	1,529	1,107	4,372	3,474
Share-based compensation		22	775	1,724	3,719
Wages and management salaries		212	311	741	887
Impairment of Carito prospect	6	-	-	175	-
Professional and advisory fees		101	132	291	400
Shareholder information and filing fees		30	57	165	323
General office expenses		54	39	154	154
Travel		34	10	98	75
<b>Loss before other items</b>		<b>4,564</b>	<b>4,848</b>	<b>13,146</b>	<b>16,057</b>
<b>Other income and expense</b>					
Foreign exchange loss (gain)		444	(187)	508	255
Finance income		(48)	(57)	(144)	(189)
Other losses		1	1	-	3
<b>Loss and Comprehensive Loss for the Period</b>		<b>\$ 4,961</b>	<b>\$ 4,605</b>	<b>\$ 13,510</b>	<b>\$ 16,126</b>
<b>Loss per Share – Basic and Diluted</b>		<b>\$ 0.05</b>	<b>\$ 0.05</b>	<b>\$ 0.15</b>	<b>\$ 0.17</b>
<b>Weighted Average Number of Shares Outstanding</b>		<b>93,076,704</b>	<b>92,291,639</b>	<b>92,980,253</b>	<b>92,246,511</b>

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

**Bear Creek Mining Corporation**  
*(An Exploration Stage Company)*  
**Interim Consolidated Statements of Cash Flows**

For the Nine Months Ended September 30

US Dollars (000's)

(Unaudited)

	Note	2014	2013
<b>Operating Activities</b>			
Loss for the period		\$ (13,510)	\$ (16,126)
Adjustments for:			
Amortization		53	47
(Gain) loss on investments		-	3
Share-based compensation		1,724	3,719
Impairment of Carito prospect	6	175	-
Interest income		(144)	(189)
Unrealized foreign exchange loss		483	232
		(11,219)	(12,314)
Changes in current assets and liabilities:			
Receivables and prepaid expenses		322	(214)
Accounts payable and accrued liabilities		153	(102)
Cash used in operating activities		(10,744)	(12,630)
<b>Investing Activities</b>			
Purchase of equipment and leasehold improvements		(11)	(13)
Resource acquisition costs	6	(319)	(1,254)
Payment of Corani obligation	7	(1,051)	(240)
Short-term investments redeemed		3,160	2,217
Interest received		152	197
Cash provided by investing activities		1,931	907
<b>Financing Activities</b>			
Share capital issued – net		616	83
Cash provided by financing activities		616	83
<b>Effect of exchange rate change on cash and cash equivalents</b>		<b>(490)</b>	<b>(307)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>(8,687)</b>	<b>(11,947)</b>
Cash and cash equivalents – Beginning of Period		46,970	64,378
<b>Cash and Cash Equivalents – End of Period</b>		<b>\$ 38,283</b>	<b>\$ 52,431</b>

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

**Bear Creek Mining Corporation***(An Exploration Stage Company)***Interim 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, 2012</b>	<b>92,221,639</b>	<b>\$ 263,906</b>	<b>\$ 24,153</b>	<b>\$ (146,704)</b>	<b>\$ 141,355</b>
Options exercised	70,000	83	-	-	83
Fair value of options exercised	-	53	(53)	-	-
Share-based compensation	-	-	3,719	-	3,719
Net loss for the period	-	-	-	(16,126)	(16,126)
<b>September 30, 2013</b>	<b>92,291,639</b>	<b>\$ 264,042</b>	<b>\$ 27,819</b>	<b>\$ (162,830)</b>	<b>\$ 129,031</b>
<b>December 31, 2013</b>	<b>92,586,639</b>	<b>\$ 264,573</b>	<b>\$ 28,095</b>	<b>\$ (167,600)</b>	<b>\$ 125,068</b>
Options exercised	520,500	616	-	-	616
Fair value of options exercised	-	342	(342)	-	-
Share-based compensation	-	-	1,724	-	1,724
Net loss for the period	-	-	-	(13,510)	(13,510)
<b>September 30, 2014</b>	<b>93,107,139</b>	<b>\$ 265,531</b>	<b>\$ 29,477</b>	<b>\$ (181,110)</b>	<b>\$ 113,898</b>

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

## **Notes to Interim Condensed Consolidated Financial Statements**

**September 30, 2014**

US Dollars  
(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. 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**

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by IASB. The accounting policies adopted are consistent with those of the previous financial year, except for the impact of recent accounting pronouncements as described in note 3 below. The Board of Directors approved the interim condensed consolidated financial statements on November 25, 2014.

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### **3. Recent Accounting Pronouncements**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Interpretations Committee ("IFRIC").

The following items have been issued and are effective for annual periods beginning on or after January 1, 2014:

- IAS 32 Financial Instruments: Presentation updates the application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. This is effective for annual periods beginning on or after January 1, 2014. The Standard did not have an impact on the financial statements of the Company.
  - Effective January 1, 2014, the Company adopted IFRIC 21 'Levies'. This interpretation of IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', applies to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation had no impact on the financial statements of the Company.
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**Bear Creek Mining Corporation**  
(An Exploration Stage Company)

**Notes to Interim Condensed Consolidated Financial Statements**

September 30, 2014

US Dollars  
(Unaudited)

**4. Cash and Cash Equivalents**

	September 30, 2014 (000's)	December 31, 2013 (000's)
Cash	\$ 3,285	\$ 3,067
Guaranteed investment certificate	1,501	5,000
Investment savings account	33,497	38,903
	<b>\$ 38,283</b>	<b>\$ 46,970</b>

**5. Short-term Investments**

	September 30, 2014 (000's)	December 31, 2013 (000's)
Common shares – Magellan Minerals Ltd.	\$ 1	\$ 2
Term deposits	25	3,219
	<b>\$ 26</b>	<b>\$ 3,221</b>

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.

**6. Resource Property Costs**

	Corani Project (000's)	Carito Project (000's)	Maria Jose Project (000's)	Total (000's)
Balance at December 31, 2012	\$ 75,667	\$ 175	\$ -	\$ 75,842
Land acquisition costs	1,174	-	300	1,474
Balance at December 31, 2013	\$ 76,841	\$ 175	\$ 300	\$ 77,316
Land acquisition costs	284	-	35	319
Impairment of Carito prospect	-	(175)	-	(175)
<b>Balance at September 30, 2014</b>	<b>\$ 77,125</b>	<b>\$ -</b>	<b>\$ 335</b>	<b>\$ 77,460</b>

**a) Corani Project**

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

Corani Engineering and Evaluation Costs:	Three Months Ended September 30		Nine Months Ended September 30	
	2014 (000's)	2013 (000's)	2014 (000's)	2013 (000's)
<b>Corani</b>				
Community contributions	241	787	544	2,178
Drilling and assaying	12	-	12	23
Engineering, consulting and geophysics	1,037	495	1,328	1,131
Environmental	63	-	143	-
Maintenance costs	6	73	96	141
Salary and consulting	581	314	1,598	1,491
Camp, supplies and logistics	599	738	1,648	2,013
Travel	43	10	57	48
<b>Costs for the Period</b>	<b>\$ 2,582</b>	<b>\$ 2,417</b>	<b>\$ 5,426</b>	<b>\$ 7,025</b>

## **Notes to Interim Condensed Consolidated Financial Statements**

**September 30, 2014**

US Dollars  
(Unaudited)

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### **b) Carito Project**

On November 5, 2012, the Company entered into an option agreement to purchase 100% of the Carito Project. The Carito Project is located in northern Peru in the Ancash Department. The Company made the initial payment of \$175,000 upon signing the agreement. Due to poor exploration results received the property was written off during the first quarter.

### **c) Maria Jose Project**

On February 27, 2013, the Company entered into an option agreement to purchase 100% of the Maria Jose Prospect for \$4,962,406 over a four-year period. The Maria Jose Project is located in northern Peru in the Ancash Department. The initial option payment of \$415,601 was paid as of June 30, 2014. The subsequent payment of \$266,727 is due on or before April 2015. An additional payment of \$2,605,264 must be made if the deposit shows greater than 1 million ounces of gold in resources as defined by NI 43-101 technical report. There are no royalty provisions under the agreement.

### **d) Santa Ana Project**

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

On June 25, 2011 the Company learned by publication in the Official Gazette "El Peruano" that the Peruvian Government issued Supreme Decree DS-032-2011 (the "2011 Supreme Decree") that reversed Supreme Decree DS-083-2007 issued in 2007, (the "2007 Supreme Decree") which granted the Company the right to acquire title to and operate on the mineral concessions covering the Santa Ana Project within an area 50 kilometers of the Peruvian territorial boundaries. The 2011 Supreme Decree rescinded the Company's rights to operate on the concessions without legal grounds; however, the titles to the concessions continue to be held by the Company. 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.

On July 12, 2011, the Company commenced a constitutional lawsuit in Peru, known as an "Amparo", against the Peruvian Government. The objective of the Amparo is to seek a determination that the 2011 Supreme Decree violates the Company's rights under the Peruvian Constitution and is therefore unlawful. The Company and its Peruvian legal advisors continue to maintain that it has complied with all legal requirements and Environmental and Social Impact Assessment in respect of the Santa Ana Project procedures, including public consultations which exceeded the requirements of applicable Peruvian laws. The Company maintains that there was no basis for rescinding the 2007 Supreme Decree which had granted the Company title to and the rights to operate on the mineral concessions comprising the Santa Ana Project in full accordance with Peruvian Constitutional law. The Amparo hearing was held on June 6, 2013, and on May 12, 2014, as set forth more fully below, the Lima First Constitutional Court issued a ruling in the Company's favor holding that the Peruvian Government, among other things, had violated the Company's constitutional rights. In connection with and in order to pursue the international arbitration proceeding described below, as required by the Canada-Peru FTA, the Company has formally desisted from the Amparo action it had commenced against the Peruvian Government with respect to the 2011 Supreme Decree.

On September 5, 2011 the Company received notice of a civil lawsuit filed by the Peruvian Ministry of Energy and Mines (the "MEM") against the Company claiming that the titles to its Santa Ana mineral concessions were not acquired in accordance with Peruvian law (the "MEM Civil Case"). The Company has formally submitted arguments in its defense, and 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 Company and its Peruvian legal counsel strongly maintain that the grounds of the MEM Civil Case are without merit. In October 2012, the judge ruled that the civil case was inadmissible because the government's Civil Case improperly comingled administrative and legal claims.



## **Notes to Interim Condensed Consolidated Financial Statements**

**September 30, 2014**

US Dollars  
(Unaudited)

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On February 5, 2013, the Company was informed that the judge had dismissed the MEM Civil Case. This claim had two aspects, one related to administrative acts (the State) and other linked to relations between individuals. The dismissal was based on that, together, these two aspects cannot be treated at the Civil Courts and therefore it would have to become inadmissible. The Company was also informed that the MEM appealed the judge's decision to the Peruvian Superior Court. The Peruvian Superior Court confirmed the dismissal with regards to the administrative issues, and ordered that the process regarding the issues between individuals be initiated. Regarding this decision of the Peruvian Superior Court, the Company initiated an Amparo Action, separately, against the Peruvian Superior Court for, among other things, the violation of the Company's right to due process under the Peruvian Constitution. The court refused to admit the Company's Amparo and the Company appealed this decision. In connection with the international arbitration proceeding described below, the Company has since waived this appeal in its Amparo action, and has formally desisted from the Amparo action it had commenced in connection with the Superior Court's decision dismissing some claims in the MEM Civil Case while permitting others to proceed

On February 6, 2014, the Company officially notified the Peruvian Government with a Notice of Intent to Submit a Claim to Arbitration ("Notice of Intent"), under the Free Trade Agreement between Canada and Peru ("Canada-Peru FTA"). In the Notice of Intent, the Company advised Peru that the dispute arises out of, among other things, the enactment by the Peruvian Government on June 25, 2011, of Supreme Decree 032 rescinding the Company's rights to operate the Santa Ana Project and which resulted in a complete stoppage of activities at Santa Ana and significant damages to the Company. Peru's actions constitute violations of the Canada-Peru FTA, Peruvian and international law.

The Notice of Intent was necessary in order to preserve the Company's rights to initiate arbitration should a resolution with the Peruvian Government not be reached. The filing of the Notice of Intent also initiated a six-month consultation period between the parties during which time they were to continue to attempt to amicably settle the dispute. Because no amicable settlement resulted during that six-month period, the Company initiated international arbitration proceedings against Peru in accordance with the Canada-Peru FTA.

On May 12, 2014, the Company was informed that the Lima First Constitutional Court rendered its ruling regarding the Amparo action brought by the Company against the Peruvian Government challenging the constitutionality of the Supreme Decree N° 032-2011-EM., which rescinded the Company's rights to operate on its Santa Ana mineral concessions. The decision states unequivocally and unconditionally that:

- Bear Creek's constitutional rights were violated;
- The Company's rights are unconditionally returned as stipulated under Supreme Decree N° 083-2007-EM, which originally granted the right to Bear Creek, as a foreign company, to operate the Santa Ana concessions, located within the 50 kilometer border zone of Peru;
- Bear Creek is recognized as title holder of the Santa Ana's mining concessions and therefore, is enabled to perform all the rights arising from said titles; and
- The Court reaffirms that the Santa Ana project is in the National interest of Peru.

The Company has learned that the Peruvian Government has appealed this decision, although the parties have not been notified of the court's acceptance of said appeal to date. As discussed in the Company's previous MD&A, with respect to the above-referenced proceeding, as required by the Canada-Peru FTA and in order to pursue the international arbitration process described above, the Company, through local counsel, made a submission to the Peruvian court desisting from this legal proceeding.

On August 11, 2014, and after the six-month negotiation period under the Canada-Peru FTA had expired without the parties reaching an amicable resolution of the dispute despite many meetings between the Company and the Peruvian Government to that end, the Company submitted a Request for Arbitration to The International Center for Settlement of Investment Disputes ("ICSID") against the Republic of Peru pursuant to the terms of the Canada-Peru FTA. While Bear Creek remains committed to continuing discussions with the Peruvian Government to resolve and settle the dispute relating to the Santa Ana mining project, commencing the arbitration proceedings at ICSID was necessary to preserve the Company's rights under the Canada-Peru FTA.

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

**Notes to Interim Condensed Consolidated Financial Statements**

**September 30, 2014**

US Dollars  
(Unaudited)

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Initiating and prosecuting arbitration proceedings against Peru does not preclude the Company and the Peruvian Government from continuing to participate in settlement negotiations. The Company has informed the Peruvian Government it is willing to continue such negotiations and that it continues to be the Company's desire for the parties to reach an amicable resolution. However, if such a resolution is not possible, the Company will continue to pursue its claims before an international tribunal and seek, inter alia, full compensation for damages the Company has suffered as a result of Peru's acts.

**e) 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 million of qualified expenditures by September 30, 2014. JOGMEC completed the required \$3 million in qualified expenditures as of March 31, 2014. JOGMEC will expend all the exploration expenditures from April 1, 2014 to March 31, 2015 and Bear Creek will dilute its interest to 39.85% on March 31, 2015. The Company can elect to dilute its interest to 10% at which time, its interest will revert to a 1.0% NSR.

**f) Sumi Project**

The Sumi gold-silver prospect is located in southern Peru and was acquired by staking the mineral concessions in 2011. The Company has a 100% interest in the project. In March 2014, Bear Creek entered into a joint venture agreement with JOGMEC to advance the project. The agreement provides for JOGMEC to earn a 51% interest through investing \$2.5 million over a three year period. After March 2017, Bear Creek can elect to maintain its 49% interest or to dilute until reaching 10%, at which time the Company's interest will revert to a 1.0% NSR.

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

**Notes to Interim Condensed Consolidated Financial Statements**

September 30, 2014

US Dollars  
(Unaudited)

Other exploration and evaluation costs for the nine months ended September 30, 2014 and 2013 are as follows:

Exploration and Evaluation Costs:	Three Months Ended September 30		Nine Months Ended September 30	
	2014 (000's)	2013 (000's)	2014 (000's)	2013 (000's)
<b>Maria Jose</b>				
Community contributions	7	9	17	22
Geophysics	8	7	22	8
Maintenance costs	11	1	42	35
Salary and consulting	90	122	285	204
Supplies and general	180	131	554	264
	<b>296</b>	<b>270</b>	<b>920</b>	<b>533</b>
<b>Santa Ana</b>				
Community contributions	1	2	27	17
Geophysics	4	-	4	-
Maintenance costs	-	54	49	123
Professional fees	477	-	628	-
Salary and consulting	41	25	113	90
Supplies and general	8	6	20	19
Travel	-	-	1	1
	<b>531</b>	<b>87</b>	<b>842</b>	<b>250</b>
<b>La Yegua</b>				
Community contributions	9	7	19	28
Drilling and assaying	-	-	275	-
Geophysics	4	10	12	19
Maintenance costs	4	3	23	45
Salary and consulting	9	22	208	112
Supplies and general	-	66	262	327
Travel	-	1	2	3
Recovery of costs	(199)	(113)	(814)	(547)
	<b>(173)</b>	<b>(4)</b>	<b>(13)</b>	<b>(13)</b>
<b>Generative</b>				
Assaying and sampling	19	28	41	73
Community contributions	-	-	4	-
Maintenance costs	-	-	44	79
Salary and consulting	157	183	427	794
Supplies and general	17	34	47	127
Travel	36	55	114	186
	<b>229</b>	<b>300</b>	<b>677</b>	<b>1,259</b>
<b>Other Properties</b>	<b>306</b>	<b>159</b>	<b>1,018</b>	<b>575</b>
<b>Value added tax</b>	<b>340</b>	<b>295</b>	<b>928</b>	<b>870</b>
<b>Costs for the Period</b>	<b>\$ 1,529</b>	<b>\$ 1,107</b>	<b>\$ 4,372</b>	<b>\$ 3,474</b>

**7. Other Liabilities**

The Company has entered into land purchase agreements with local landowners for surface rights access to the Corani project as well as an agreement to provide the Municipality of Corani with funding for the construction of schools and other improvements to the community as determined by the Municipality of Corani. The total amount owed under the agreements was approximately \$3,533,000 of which \$2,133,673 had been paid as of September 30, 2014. All of the land purchase amounts have been capitalized as mineral properties. All community contributions have been expensed.

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(An Exploration Stage Company)

**Notes to Interim Condensed Consolidated Financial Statements**

September 30, 2014

US Dollars  
(Unaudited)

	(000's)
Other liabilities – December 31, 2013	\$ 2,285
Less: payments to September 30, 2014	(1,051)
Adjustment to community obligation addition	(35)
Foreign exchange gain	(44)
Balance as of September 30, 2014	\$ 1,155
Less: current portion of other liabilities	(335)
Other liabilities – September 30, 2014	<b>\$ 820</b>

**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 September 30, 2014, a total of 1,405,814 options were reserved under the option plan with 7,904,900 options outstanding.

During the nine months ended September 30, 2014, 520,500 options with a fair value of \$341,847 were exercised for proceeds of \$615,960.

a) Movements in share options during the period

The changes in share options during the period ended September 30, 2014 and the year ended December 31, 2013 were as follows:

	September 30, 2014		December 31, 2013	
	Number of options	Weighted average exercise price (in CDN\$)	Number of options	Weighted average exercise price (in CDN\$)
Options outstanding, beginning of the period	7,487,400	4.36	5,877,700	4.64
Granted	1,292,500	2.05	2,178,000	3.09
Exercised	(520,500)	1.30	(365,000)	1.24
Expired	-	-	(150,000)	4.95
Forfeited	(354,500)	4.61	(53,300)	3.73
Options outstanding, end of the period	<b>7,904,900</b>	<b>4.17</b>	<b>7,487,400</b>	<b>4.36</b>

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

**Notes to Interim Condensed Consolidated Financial Statements**

**September 30, 2014**

US Dollars  
(Unaudited)

b) Fair value of share options granted

During the period ended September 30, 2014, the Company granted options to directors, officers, and employees to purchase up to 1,292,500 common shares of the Company at a weighted exercise price of CDN\$2.05 per share. The weighted average estimated fair value of the stock options granted during the period ended September 30, 2014 was CDN\$1.09 using the Black-Scholes option pricing model.

During the year ended December 31, 2013, the Company granted options to directors, officers and employees to purchase up to 2,178,000 common shares of the Company at a weighted average exercise price of CDN\$3.09 per share.

The options vest over a period of 18 months from the date of grant and expire five years from the date of grant.

	<b>2014</b>	2013
Expected dividend yield	<b>0.00%</b>	0.00%
Expected stock price volatility	<b>70.59%</b>	72.10%
Risk-free interest rate	<b>1.36%</b>	1.44%
Expected life of options	<b>4.0 years</b>	4.1 years
Forfeiture rate	<b>1.73%</b>	1.45%
Grant date fair value	<b>\$1.09</b>	\$1.69

c) Share options outstanding at the end of the period

A summary of the Company's options outstanding as at September 30, 2014 is as follows:

Options Outstanding	Options Exercisable	Price per Share	Remaining contractual life (years)	Expiry Date
150,000	150,000	CDN\$4.00	0.04	October 14, 2014
140,000	140,000	CDN\$4.12	0.44	March 8, 2015
90,000	90,000	CDN\$8.80	1.15	November 23, 2015
75,000	75,000	CDN\$9.95	1.18	December 6, 2015
120,000	120,000	CDN\$8.30	1.34	February 1, 2016
707,000	707,000	CDN\$10.77	1.48	March 23, 2016
75,000	75,000	CDN\$10.77	0.08	October 30, 2014
260,000	260,000	CDN\$4.01	1.93	September 2, 2016
75,000	75,000	CDN\$3.67	2.27	January 4, 2017
2,126,400	2,126,400	CDN\$3.73	2.32	January 23, 2017
240,000	240,000	CDN\$3.73	0.08	October 30, 2014
16,000	16,000	CDN\$3.64	2.51	April 3, 2017
30,000	30,000	CDN\$2.71	2.70	June 11, 2017
330,000	330,000	CDN\$3.55	3.13	November 15, 2017
1,688,000	1,688,000	CDN\$3.25	3.36	February 6, 2018
240,000	240,000	CDN\$3.25	0.08	October 30, 2014
250,000	187,500	CDN\$1.85	3.84	August 2, 2018
1,292,500	646,250	CDN\$2.05	4.40	February 21, 2019
<b>7,904,900</b>	<b>7,196,150</b>		<b>2.60</b>	

The weighted average exercise price of exercisable options at September 30, 2014 is CDN\$4.38.

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

**Notes to Interim Condensed Consolidated Financial Statements**

**September 30, 2014**

*US Dollars*  
*(Unaudited)*

**9. Related Party Transactions**

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below.

a) Services provided by related parties

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

	<b>Nature of transactions</b>	
DuMoulin Black LLP	Legal fees	
Estudio Grau S.C.R.L.	Legal fees	
Avisar Chartered Accountants	Accounting fees	

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

	Three Months ended September 30		Nine Months ended September 30	
	<b>2014</b> (000's)	2013 (000's)	<b>2014</b> (000's)	2013 (000's)
Legal fees	\$ 38	\$ 43	\$ 153	\$ 386
Accounting fees	52	59	133	135
	<b>\$ 90</b>	<b>\$ 102</b>	<b>\$ 286</b>	<b>\$ 521</b>

Transactions with related parties for goods and services are made on commercial terms. Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at September 30, 2014 included \$12,554 (December 31, 2013 - \$35,407) 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 and nine months ended September 30, 2014 and 2013 were as follows:

	Note	Three Months ended September 30		Nine Months ended September 30	
		<b>2014</b> (000's)	2013 (000's)	<b>2014</b> (000's)	2013 (000's)
Salaries and directors' fees	(i)	\$ 208	\$ 193	\$ 624	\$ 584
Share-based compensation	(ii)	69	684	1,547	3,342
		<b>\$ 277</b>	<b>\$ 877</b>	<b>\$ 2,171</b>	<b>\$ 3,926</b>

- (i) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the nine months ended September 30, 2014 and 2013.
- (ii) Share-based compensation represents the non-cash expense for the nine months ended September 30, 2014 and 2013, translated at the grant date foreign exchange rate.

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

**Notes to Interim Condensed Consolidated Financial Statements**

**September 30, 2014**

*US Dollars*  
*(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>September 30, 2014</b>	December 31, 2013
<b>Total Assets</b>	<b>(000's)</b>	<b>(000's)</b>
Peru	\$ 79,164	\$ 79,743
Canada	37,199	48,732
United States	16	14
	<b>\$ 116,379</b>	<b>\$ 128,489</b>

	Three Months ended September 30		Nine Months ended September 30	
<b>Net Loss (Income)</b>	<b>2014</b>	2013	<b>2014</b>	2013
	<b>(000's)</b>	<b>(000's)</b>	<b>(000's)</b>	<b>(000's)</b>
Peru	\$ 4,115	3,552	\$ 9,829	\$ 10,384
Canada	853	1,078	3,702	5,793
United States	(7)	(25)	(21)	(51)
	<b>4,961</b>	<b>4,605</b>	<b>\$ 13,510</b>	<b>\$ 16,126</b>

**11. Commitments**

On April 8, 2013 the Company entered into a *Framework Agreement for the Sustainable Use of Natural Resources in the Mining Project Corani* with the Corani District Municipality and the five communities contained within the District Municipality: Chacaconiza, Quelcaya, Isivilla, Corani-Aconsaya and Aymaña. Under the agreement, annual payments of S/. 4 million (approximately \$1.6 million) over the 23 year project life are to be made into a trust designed to fund community projects. The first two payments of S/. 1.332 million each were dependent on the Company obtaining the Environmental and Social Impact Assessment approval which was received in September 2013. As of September 30, 2014, these initial two payments totalling S/. 2.664 million or approximately \$1 million had been made. The remaining payment of S/. 1.336 million and the ongoing payments of S/. 4 million per year are dependent on receiving the permit for the construction of the processing facilities and the mining installations.