

BEAR CREEK MINING CORPORATION

(An Exploration Stage Company)

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

Six Months Ended June 30, 2013 and 2012

EXPRESSED IN US DOLLARS

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

US Dollars (000's)
(Unaudited)

| | Note | | June 30, 2013 | | December 31, 2012 |
|--|------|----|------------------|----|----------------------|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 3 | \$ | 56,299 | \$ | 64,378 |
| Short-term investments | 4 | | 1,954 | | 4,067 |
| Receivables and prepaid expenses | | | 622 | | 419 |
| | | | 58,875 | | 68,864 |
| Non-current assets | | | | | |
| Equipment and leasehold improvements | 5 | | 309 | | 334 |
| Resource property costs | 6 | | 76,778 | | 75,842 |
| TOTAL ASSETS | | \$ | 135,962 | \$ | 145,040 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | | \$ | 914 | \$ | 1,682 |
| Current portion of other liabilities | 7 | | 740 | | 418 |
| | | | 1,654 | | 2,100 |
| Non-current liabilities | | | | | |
| Other liabilities | 7 | | 1,247 | | 1,385 |
| Provision for site restoration | | | 200 | | 200 |
| | | | 3,101 | | 3,685 |
| EQUITY | | | | | |
| Share capital | 8 | | 264,042 | | 263,906 |
| Contributed surplus | | | 27,044 | | 24,153 |
| Deficit | | | (158,225) | | (146,704) |
| | | | 132,861 | | 141,355 |
| TOTAL LIABILITIES AND EQUITY | | \$ | 135,962 | \$ | 145,040 |

Commitments (Note 11)
Subsequent Events (Note 12)

ON BEHALF OF THE BOARD:

Signed "Catherine McLeod-Seltzer", Director

Signed "Nolan Watson", Director

The accompanying notes are an integral part of these financial statements

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

For the Six Months Ended June 30

US Dollars (000's, except share data)

(Unaudited)

| | Note | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|------|-------------------------------|-------------------|-----------------------------|-------------------|
| | | 2013 | 2012 | 2013 | 2012 |
| Operating expenses | | | | | |
| Corani engineering and evaluation costs | 6 | \$ 2,669 | \$ 3,888 | \$ 4,608 | \$ 7,396 |
| Exploration and evaluation costs | 6 | 1,406 | 1,805 | 2,367 | 3,450 |
| Share-based compensation | | 1,124 | 1,673 | 2,944 | 4,770 |
| Wages and management salaries | | 302 | 288 | 576 | 647 |
| Professional and advisory fees | | 136 | 149 | 268 | 474 |
| Shareholder information and filing fees | | 126 | 86 | 266 | 259 |
| General office expenses | | 56 | 67 | 115 | 144 |
| Travel | | 27 | 58 | 65 | 130 |
| Loss before other items | | 5,846 | 8,014 | 11,209 | 17,270 |
| Other income and expense | | | | | |
| Foreign exchange loss | | 263 | 326 | 442 | 110 |
| Finance income | | (67) | (88) | (132) | (132) |
| Other losses | | - | 3 | 2 | 6 |
| Loss and Comprehensive Loss for the Period | | \$ 6,042 | \$ 8,255 | \$ 11,521 | \$ 17,254 |
| Loss per Share – Basic and Diluted | | \$ 0.07 | \$ 0.09 | \$ 0.12 | \$ 0.19 |
| Weighted Average Number of Shares Outstanding | | 92,225,485 | 92,162,188 | 92,223,573 | 92,161,914 |

The accompanying notes are an integral part of these financial statements

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

For the Six Months Ended June 30

US Dollars (000's)

(Unaudited)

| | Note | 2013 | 2012 |
|--|------|-------------|-------------|
| Operating Activities | | | |
| Loss for the period | | \$ (11,521) | \$ (17,254) |
| Adjustments for: | | | |
| Amortization | | 31 | 72 |
| Loss on investments | | 2 | 6 |
| Share-based compensation | | 2,944 | 4,770 |
| Interest income | | (132) | (132) |
| Unrealized foreign exchange loss | | 439 | 61 |
| | | (8,237) | (12,477) |
| Changes in current assets and liabilities: | | | |
| Receivables and prepaid expenses | | (193) | 236 |
| Accounts payable and accrued liabilities | | (267) | (517) |
| Cash used in operating activities | | (8,697) | (12,758) |
| Investing Activities | | | |
| Purchase of equipment and leasehold improvements | | (6) | (43) |
| Resource acquisition costs | 6 | (936) | (873) |
| Payment of Corani obligation | 7 | (174) | (59) |
| Short-term investments redeemed | | 2,000 | - |
| Interest received | | 123 | 120 |
| Cash provided by (used in) investing activities | | 1,007 | (855) |
| Financing Activities | | | |
| Share capital issued - net | | 82 | 93 |
| Cash provided by financing activities | | 82 | 93 |
| Effect of exchange rate change on cash and cash equivalents | | (471) | (27) |
| Net Decrease in Cash and Cash Equivalents | | (8,079) | (13,547) |
| Cash and cash equivalents – Beginning of Period | | 64,378 | 93,027 |
| Cash and Cash Equivalents – End of Period | | \$ 56,299 | \$ 79,480 |

The accompanying notes are an integral part of these 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 |
|---------------------------------|--|---------------------------|------------------------|---------------------|-------------------|
| December 31, 2011 | 92,161,639 | \$ 263,729 | \$ 17,605 | \$ (115,692) | \$ 165,642 |
| Options exercised | 50,000 | 94 | - | - | 94 |
| Fair value of options exercised | - | 65 | (65) | - | - |
| Share-based compensation | - | - | 4,770 | - | 4,770 |
| Net loss for the period | - | - | - | (17,254) | (17,254) |
| June 30, 2012 | 92,211,639 | \$ 263,888 | \$ 22,310 | \$ (132,946) | \$ 153,252 |
| December 31, 2012 | 92,221,639 | \$ 263,906 | \$ 24,153 | \$ (146,704) | \$ 141,355 |
| Options exercised | 70,000 | 83 | - | - | 83 |
| Fair value of options exercised | - | 53 | (53) | - | - |
| Share-based compensation | - | - | 2,944 | - | 2,944 |
| Net loss for the period | - | - | - | (11,521) | (11,521) |
| June 30, 2013 | 92,291,639 | \$ 264,042 | \$ 27,044 | \$ (158,225) | \$ 132,861 |

The accompanying notes are an integral part of these financial statements

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2013

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

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.

2. Basis of Preparation

The 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, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

The following standards became effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company adopted these standards and they did not have a material impact on its consolidated financial statements.

- a) IFRS 10, Consolidated Financial Statements ("IFRS 10"), was issued in May 2011 and will supersede the consolidation requirements in SIC-12, Consolidation – Special Purpose Entities ("SIC-12"), and IAS 27, Consolidated and Separate Financial Statements ("IAS 27").
- b) IFRS 11, Joint Arrangements ("IFRS 11"), was issued in May 2011 and will supersede existing IAS 31, Joint Ventures ("IAS 31").
- c) IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"), was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interest in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.
- d) IFRS 13, Fair Value Measurements ("IFRS 13") was issued in May 2011 and sets out, in a single IFRS, a framework for measuring fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement.
- e) IAS 1, Presentation of Items of Other Comprehensive Income ("OCI") ("IAS 1"), was revised in June 2011 to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future.

The interim condensed consolidated financial statements were approved by the Board of Directors on August 26, 2013. All dollar amounts are presented in thousands of US dollars unless otherwise specified.

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2013

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

3. Cash and Cash Equivalents

| | | June 30, 2013 | | December 31, 2012 |
|-----------------------------------|----|------------------|----|----------------------|
| Cash | \$ | 10,612 | \$ | 11,063 |
| Guaranteed investment certificate | | 3,000 | | 4,000 |
| Investment savings account | | 42,687 | | 49,315 |
| | \$ | 56,299 | \$ | 64,378 |

4. Short-term Investments

| | | June 30, 2013 | | December 31, 2012 |
|--|----|------------------|----|----------------------|
| Common shares – Magellan Minerals Ltd. | \$ | 3 | \$ | 5 |
| Term deposits | | 1,951 | | 4,062 |
| | \$ | 1,954 | \$ | 4,067 |

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

5. Equipment and Leasehold Improvements

| | | June 30, 2013 | | |
|------------------------|--------|-----------------------------|-------------------|--|
| | Cost | Accumulated Amortization | Net Book Value | |
| Computer Software | \$ 101 | \$ 101 | \$ - | |
| Exploration Equipment | 344 | 139 | 205 | |
| Vehicles | 335 | 329 | 6 | |
| Office Equipment | 76 | 42 | 34 | |
| Leasehold Improvements | 129 | 65 | 64 | |
| | \$ 985 | \$ 676 | \$ 309 | |
| | | December 31, 2012 | | |
| | Cost | Accumulated Amortization | Net Book Value | |
| Computer Software | \$ 105 | \$ 105 | \$ - | |
| Exploration Equipment | 334 | 122 | 212 | |
| Vehicles | 335 | 327 | 8 | |
| Office Equipment | 76 | 39 | 37 | |
| Leasehold Improvements | 129 | 52 | 77 | |
| | \$ 979 | \$ 645 | \$ 334 | |

6. Resource Property Costs

| | | Corani Project | | Carito Project | | Maria Jose Project | | Total |
|---------------------------------|-----------|-------------------|-----------|-------------------|-----------|-----------------------|-----------|---------------|
| Balance at December 31, 2011 | \$ | 73,936 | \$ | - | \$ | - | \$ | 73,936 |
| Land acquisition costs | | 1,731 | | 175 | | - | | 1,906 |
| Balance at December 31, 2012 | \$ | 75,667 | \$ | 175 | \$ | - | \$ | 75,842 |
| Land acquisition costs | | 564 | | - | | 372 | | 936 |
| Balance at June 30, 2013 | \$ | 76,231 | \$ | 175 | \$ | 372 | \$ | 76,778 |

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2013

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

a) Corani Project

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

Corani Exploration and Evaluation Costs:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|-----------------------------|----------------------------|-----------------|--------------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Corani | | | | |
| Assaying and sampling | \$ 7 | \$ 2 | \$ 23 | \$ 22 |
| Community contributions | 923 | 470 | 1,391 | 840 |
| Drilling | - | 159 | - | 1,039 |
| Engineering and consulting | 153 | 1,175 | 410 | 2,099 |
| Environmental | - | 768 | - | 978 |
| Geophysics | 194 | - | 226 | - |
| Maintenance costs | 62 | 19 | 68 | 19 |
| Salary and consulting | 572 | 395 | 1,177 | 632 |
| Supplies and general | 739 | 607 | 1,275 | 1,129 |
| Travel | 19 | 293 | 38 | 638 |
| Costs for the Period | \$ 2,669 | \$ 3,888 | \$ 4,608 | \$ 7,396 |

b) Carito Project

On November 5, 2012, the Company entered into an option agreement to purchase 100% of the Carito Project for \$7,475 payable as follows:

- \$175 due upon signing the agreement (paid)
- \$250 due May 5, 2014
- \$181 due May 5, 2015
- \$181 due August 5, 2015
- \$181 due November 5, 2015
- \$181 due February 5, 2016
- \$750 due May 5, 2016
- \$750 due November 5, 2016
- \$2,413 due May 5, 2017
- \$2,413 due November 5, 2017

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 over a four-year period. The initial option payment is \$372 (paid) and the second payment of \$310 is due 18 months after the agreement date. An additional payment of \$2,605 must be made if the deposit is greater than 1 million ounces 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

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2013

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(Unaudited)

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 13, 2011, the Company filed an application for a Constitutional lawsuit in Peru, known as an "Amparo", against the Peruvian Government. The objective of this legal action is to seek injunctive relief against the rescission of the Company's rights to operate on the mineral concessions comprising the Santa Ana Property (as hereinafter defined) requesting that the court determine the Peruvian Government violated the Company's constitutional rights when it issued the Supreme Decree in June 2011 that resulted in the rescission of the Company's authorization to operate on the mineral concessions comprising the Santa Ana Property. 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 (the "Santa Ana ESIA") procedures, including public consultations which exceeded the requirements of applicable Peruvian laws. The Company maintains that there was no basis for modifying the 2007 Supreme Decree which granted the Company title to and the rights to operate on the mineral concessions comprising the Santa Ana Property in full accordance with Peruvian Constitutional law. The Amparo hearing was held on June 6, 2013, and a judgment is expected to be issued in 2013. The Company believes that a political solution is yet possible.

In September 2011 the Company received notice of a civil lawsuit filed by 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 Suit"). 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, which was accepted by the court in November 2011. The Company and its Peruvian legal counsel strongly maintain that the grounds of the MEM Civil Suit are without merit. In October 2012, the judge ruled that the civil case was inadmissible on technical grounds; namely, that the government's civil suit comingled administrative and civil arguments in a civil proceeding.

On Feb 5, 2013, the Company was informed that the judge had dismissed the MEM Civil Suit based on the technical grounds named above and cited in October 2012. The Company was also informed that the MEM has appealed the judge's decision to the Peruvian Superior Court.

e) Tassa Project

The Tassa silver-gold prospect is located in southern Peru and was acquired by staking mineral concessions in 2007. The Company has a 100% interest in the project.

f) 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 \$3,000 of qualified expenditures by June 30, 2014. Approximately \$1.8 million of qualified expenditures have been incurred by JOGMEC as of June 30, 2013.

g) 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.

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June 30, 2013

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

Other exploration and evaluation costs for the period ended June 30, 2013 and 2012 are as follows:

| Exploration and Evaluation Costs: | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|-----------------------------------|--------------|---------------------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Carito | | | | |
| Community contributions | 5 | - | 12 | - |
| Geophysics | 39 | - | 44 | - |
| Maintenance costs | 13 | - | 19 | - |
| Salary and consulting | 59 | - | 71 | - |
| Supplies and general | 129 | - | 200 | - |
| | 245 | - | 346 | - |
| Maria Jose | | | | |
| Community contributions | 11 | - | 13 | - |
| Geophysics | 1 | - | 1 | - |
| Maintenance costs | 22 | - | 34 | - |
| Salary and consulting | 72 | - | 82 | - |
| Supplies and general | 130 | - | 133 | - |
| | 236 | - | 263 | - |
| Santa Ana | | | | |
| Community contributions | 5 | - | 15 | - |
| Maintenance costs | 55 | 31 | 69 | 61 |
| Salary and consulting | 34 | 75 | 65 | 148 |
| Supplies and general | 7 | 53 | 13 | 111 |
| Travel | 1 | 1 | 1 | 3 |
| | 102 | 160 | 163 | 323 |
| Tassa | | | | |
| Assaying and sampling | - | 33 | - | 73 |
| Drilling | - | 410 | - | 845 |
| Geophysics | 5 | - | 16 | - |
| Maintenance costs | 1 | 4 | 1 | 4 |
| Salary and consulting | 1 | 133 | 16 | 278 |
| Supplies and general | 3 | 113 | 19 | 223 |
| Travel | - | 30 | - | 71 |
| | 10 | 723 | 52 | 1,494 |
| La Yegua | | | | |
| Assaying and sampling | - | 4 | - | 4 |
| Community contributions | 11 | - | 21 | - |
| Geophysics | 9 | - | 9 | - |
| Maintenance costs | 40 | 8 | 42 | 12 |
| Salary and consulting | 53 | 52 | 90 | 69 |
| Supplies and general | 162 | 10 | 261 | 61 |
| Travel | 1 | - | 2 | - |
| Recovery of costs | (308) | (116) | (434) | (228) |
| | (32) | (42) | (9) | (82) |
| Generative | | | | |
| Assaying and sampling | 23 | 19 | 45 | 32 |
| Maintenance costs | 79 | 26 | 79 | 28 |
| Salary and consulting | 277 | 165 | 611 | 295 |
| Supplies and general | 49 | 39 | 93 | 73 |
| Travel | 64 | 58 | 131 | 101 |
| | 492 | 307 | 959 | 529 |
| Other Properties | | | | |
| | 4 | 48 | 18 | 85 |
| Value added tax | 349 | 609 | 575 | 1,101 |
| Costs for the Period | 1,406 | 1,805 | \$ 2,367 | \$ 3,450 |

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2013

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

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 agreements provide for periodic payments of up to \$800 over a 10-year period beginning in August 2011. The total amount owed under the agreements was approximately \$2,600, of which \$989 was paid as of June 30, 2013. All of the land purchase amounts have been capitalized as mineral properties. All community contributions have been expensed.

| | | |
|---|-----------|--------------|
| Total other liabilities per agreement as of December 31, 2012 | \$ | 2,633 |
| Less: payments to December 31, 2012 | | (815) |
| Foreign exchange gain to December 31, 2012 | | (15) |
| Other liabilities – December 31, 2012 | \$ | 1,803 |
| Addition of community obligation per agreement (Note 11(c)) | | 500 |
| Less: payments | | (174) |
| Foreign exchange gain | | (142) |
| Balance as of June 30, 2013 | \$ | 1,987 |
| Less: current portion of other liabilities | | (740) |
| Other liabilities – June 30, 2013 | \$ | 1,247 |

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 June 30, 2013, a total of 1,524,464 options were reserved under the option plan with 7,704,700 options outstanding.

During the period, 70,000 options with a fair value of \$53 were exercised for proceeds of \$83.

Bear Creek Mining Corporation
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Notes to Interim Condensed Consolidated Financial Statements

June 30, 2013

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

a) Movements in share options during the period

The changes in share options during the period ended June 30, 2013 and the year ended December 31, 2012 were as follows:

| | June 30, 2013 | | December 31, 2012 | |
|--|--------------------------|---|-------------------|--|
| | Number of options | Weighted average exercise price (in CDN\$) | Number of options | Weighted average exercise price (in CDN\$) |
| Options outstanding, beginning of the period | 5,877,700 | 4.64 | 3,440,500 | 5.97 |
| Granted | 1,928,000 | 3.25 | 3,052,200 | 3.70 |
| Exercised | (70,000) | 1.24 | (60,000) | 1.79 |
| Expired | - | - | (445,000) | 7.99 |
| Forfeited | (31,000) | 3.73 | (18,000) | 3.73 |
| Cancelled | - | - | (92,000) | 8.86 |
| Options outstanding, end of the period | 7,704,700 | 4.33 | 5,877,700 | 4.64 |

b) Fair value of share options granted

During the period ended June 30, 2013, the Company granted options to directors, officers, and employees to purchase up to 1,928,000 common shares of the Company at an exercise price of CDN\$3.25 per share. The weighted estimated fair value of the stock options granted during the period ended June 30, 2013 was \$1.80 using the Black-Scholes option pricing model.

During the year ended December 31, 2012, the Company granted options to directors, officers and employees to purchase up to 3,052,200 common shares of the Company at a weighted average exercise price of CDN\$3.70 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.

| | 2013 | 2012 |
|---------------------------------|------------------|-----------|
| Expected dividend yield | 0.00% | 0.00% |
| Expected stock price volatility | 72.78% | 79.42% |
| Risk-free interest rate | 1.42% | 1.27% |
| Expected life of options | 4.1 years | 3.8 years |
| Grant date fair value | \$1.80 | \$2.10 |

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.

Bear Creek Mining Corporation
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June 30, 2013

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

c) Share options outstanding at the end of the period

A summary of the Company's options outstanding as at June 30, 2013 is as follows:

| Options Outstanding | Options Exercisable | Price per Share | Remaining contractual life (years) | Expiry Date |
|---------------------|---------------------|-----------------|------------------------------------|-------------------|
| 150,000 | 150,000 | CDN\$4.95 | 0.01 | July 2, 2013 |
| 765,500 | 835,500 | CDN\$1.24 | 0.58 | January 27, 2014 |
| 50,000 | 50,000 | CDN\$1.90 | 1.13 | August 18, 2014 |
| 150,000 | 150,000 | CDN\$4.00 | 1.29 | October 14, 2014 |
| 240,000 | 240,000 | CDN\$4.12 | 1.69 | March 8, 2015 |
| 90,000 | 90,000 | CDN\$8.80 | 2.40 | November 23, 2015 |
| 75,000 | 75,000 | CDN\$9.95 | 2.44 | December 6, 2015 |
| 120,000 | 120,000 | CDN\$8.30 | 2.59 | February 1, 2016 |
| 818,000 | 818,000 | CDN\$10.77 | 2.73 | March 23, 2016 |
| 340,000 | 340,000 | CDN\$4.01 | 3.18 | September 2, 2016 |
| 75,000 | 56,250 | CDN\$3.67 | 3.52 | January 4, 2017 |
| 2,502,200 | 1,876,650 | CDN\$3.73 | 3.57 | January 23, 2017 |
| 16,000 | 8,000 | CDN\$3.64 | 3.76 | April 3, 2017 |
| 30,000 | 15,000 | CDN\$2.71 | 3.95 | June 11, 2017 |
| 355,000 | 88,750 | CDN\$3.55 | 4.38 | November 15, 2017 |
| 1,928,000 | 482,000 | CDN\$3.25 | 4.61 | February 6, 2018 |
| 7,704,700 | 5,395,150 | | 3.24 | |

The weighted average exercise price of exercisable options at June 30, 2013 is CDN\$4.72.

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) 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 (effective May 7, 2012) | Accounting fees |

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2013

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

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

| | Note | Three Months ended June 30 | | Six Months ended June 30 | |
|-----------------|------|----------------------------|--------|--------------------------|--------|
| | | 2013 | 2012 | 2013 | 2012 |
| Legal fees | | \$ 248 | \$ 90 | \$ 342 | \$ 235 |
| Accounting fees | | 38 | 43 | 77 | 43 |
| | | \$ 286 | \$ 133 | \$ 419 | \$ 278 |

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at June 30, 2013 included \$26 (December 31, 2012 - \$35) 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 six months ended June 30, 2013 and 2012 were as follows:

| | Note | Three Months ended June 30 | | Six Months ended June 30 | |
|------------------------------|----------|----------------------------|----------|--------------------------|----------|
| | | 2013 | 2012 | 2013 | 2012 |
| Salaries and directors' fees | (i) (ii) | \$ 205 | \$ 218 | \$ 392 | \$ 734 |
| Share-based compensation | (iii) | 1,019 | 1,393 | 2,657 | 3,974 |
| | | \$ 1,224 | \$ 1,611 | \$ 3,049 | \$ 4,708 |

- (i) Share-based compensation represents the non-cash expense for the six months ended June 30, 2013 and 2012, translated at the grant date foreign exchange rate.
- (ii) Salaries and directors' fees includes the salary of the previous CFO who resigned on May 6, 2012, subsequent to this CFO consulting fees were included in the accounting fees.
- (iii) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the six months ended June 30, 2013 and 2012.

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:

| | June 30, 2013 | December 31, 2012 |
|---------------------|------------------|----------------------|
| Total Assets | | |
| Peru | \$ 78,270 | \$ 76,514 |
| Canada | 57,659 | 68,492 |
| United States | 33 | 34 |
| | \$ 135,962 | \$ 145,040 |

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2013

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

| Net Loss (Income) | Three Months ended June 30, 2013 | Three Months ended June 30, 2012 | Six Months ended June 30, 2013 | Six Months ended June 30, 2012 |
|--------------------------|---|---|---|---|
| Peru | \$ 3,989 | \$ 5,713 | \$ 6,832 | \$ 10,928 |
| Canada | 2,065 | 2,554 | 4,715 | 6,354 |
| United States | (12) | (12) | (26) | (28) |
| | \$ 6,042 | \$ 8,255 | \$ 11,521 | \$ 17,254 |

11. Commitments

- a) 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.
- b) 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.
- c) 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 Aymana. Under the agreement, annual payments of S/. 4 million (approximately \$1,600) over the 23 year project life are to be made into a trust designed to fund community projects. The payments begin with installments payable in 2013 and are dependent on the Company obtaining the Environmental and Social Impact Assessment approval.

12. Subsequent Events

- a) On July 2, 2013, 150,000 options expired unexercised.
 - b) On August 6, 2013, 250,000 options with an exercise price of \$1.85 expiring on August 6, 2018 were granted to an officer of the Company.
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