BEAR CREEK MINING CORPORATION

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 AND 2011

EXPRESSED IN US DOLLARS

April 2, 2013

Independent Auditor's Report

To the Shareholders of Bear Creek Mining Corporation

We have audited the accompanying consolidated financial statements of Bear Creek Mining Corporation (the company) which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2012 and December 31, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

Bear Creek Mining Corporation
(An Exploration Stage Company)

Consolidated Statements of Financial Position

US Dollars (000's)

	Note		**December 31, 2012**		December 31, 2011
ASSETS					
Current assets					
Cash and cash equivalents	7	**$**	**64,378**	$	93,027
Short-term investments	8		**4,067**		2,004
Receivables and prepaid expenses			**419**		689
			68,864		95,720
Non-current assets					
Equipment and leasehold improvements	9		**334**		395
Resource property costs	10		**75,842**		73,936
TOTAL ASSETS		**$**	**145,040**	$	170,051
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**1,721**	$	1,762
Current portion of other liabilities	11		**375**		544
			2,096		2,306
Non-current liabilities					
Other liabilities	11		**1,389**		1,903
Provision for site restoration			**200**		200
			3,685		4,409
EQUITY					
Share capital	12		**263,906**		263,729
Contributed surplus			**24,153**		17,605
Deficit			**(146,704)**		(115,692)
			141,355		165,642
TOTAL LIABILITIES AND EQUITY		**$**	**145,040**	$	170,051

Commitments (Note 15)
Subsequent Events (Note 17)

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)

Consolidated Statements of Loss and Comprehensive Loss

For the Years Ended December 31
US Dollars (000's, except share data)

	Note	2012	2011
Operating expenses			
Corani exploration and evaluation costs	10	**$ 14,906**	$ 12,386
Exploration and evaluation costs	10	**6,628**	8,093
Share-based compensation		**6,619**	6,229
Wages and management salaries		**1,562**	1,481
Impairment loss	10	**-**	935
Professional and advisory fees		**644**	509
Shareholder information and filing fees		**432**	411
General office expenses		**322**	259
Travel		**208**	239
Loss before other items		**31,321**	30,542
Other income and expense			
Foreign exchange loss		**8**	298
Gain on settlement of financial liability	11	**-**	(765)
Finance income		**(323)**	(373)
Other losses		**6**	21
Loss and Comprehensive Loss for the Year		**$ 31,012**	$ 29,723
Loss per Share – Basic and Diluted		**$ 0.34**	$ 0.32
Weighted Average Number of Shares Outstanding		**92,187,377**	92,121,397

Bear Creek Mining Corporation
(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the Years Ended December 31
US Dollars (000's)

	Note		2012		2011
Operating Activities					
Loss for the year		$	**(31,012)**	$	(29,723)
Adjustments for:					
Amortization			**126**		150
Gain on settlement of financial liability	11		**-**		(765)
Loss on investments			**6**		21
Share-based compensation			**6,619**		6,229
Impairment loss	10		**-**		935
Interest income			**(323)**		(373)
Unrealized foreign exchange gain			**(188)**		269
			(24,772)		(23,257)
Changes in current assets and liabilities:					
Receivables and prepaid expenses			**272**		(386)
Accounts payable and accrued liabilities			**(41)**		1,153
Cash used in operating activities			**(24,541)**		(22,490)
Investing Activities					
Purchase of equipment and leasehold improvements			**(65)**		(300)
Resource acquisition costs			**(1,906)**		(2,668)
Payment of Corani obligation			**(824)**		(45)
Short-term investments purchased			**(2,024)**		(1,967)
Interest received			**321**		363
Cash used in investing activities			**(4,498)**		(4,617)
Financing Activities					
Payments to Rio Tinto Mining and Exploration Limited			**-**		(24,100)
Share capital issued - net			**105**		700
Cash provided by (used in) financing activities			**105**		(23,400)
Effect of exchange rate change on cash and cash equivalents			**285**		(230)
Net Decrease in Cash and Cash Equivalents			**(28,649)**		(50,737)
Cash and cash equivalents – Beginning of Year			**93,027**		143,764
Cash and Cash Equivalents – End of Year		$	**64,378**	$	93,027

The accompanying notes are an integral part of these financial statements

Bear Creek Mining Corporation
(An Exploration Stage Company)

Consolidated Statements of Changes in Equity

US Dollars (000's, except share data)

	Share Capital (Number of Shares)	Share Capital (Amount)	Contributed Surplus	Deficit	Total
December 31, 2010	**91,961,139**	**$ 262,542**	**$ 11,863**	**$ (85,969)**	**$ 188,436**
Options exercised	200,500	700	-	-	700
Fair value of options exercised	-	487	(487)	-	-
Share-based compensation	-	-	6,229	-	6,229
Net loss for the period	-	-	-	(29,723)	(29,723)
December 31, 2011	**92,161,639**	**$ 263,729**	**$ 17,605**	**$ (115,692)**	**$ 165,642**
Options exercised	60,000	106	-	-	106
Fair value of options exercised	-	71	(71)	-	-
Share-based compensation	-	-	6,619	-	6,619
Net loss for the period	-	-	-	(31,012)	(31,012)
December 31, 2012	**92,221,639**	**$ 263,906**	**$ 24,153**	**$ (146,704)**	**$ 141,355**

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 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"). The policies presented in Note 3 were consistently applied to all periods presented. The Board of Directors approved the consolidated financial statements on April 2, 2013.

3. Summary of Significant Accounting Policies

The significant accounting policies described below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated.

a) Consolidation

The consolidated financial statements include the accounts of the Company's 100%-owned subsidiaries, which include BCMC Corani Holdings Ltd., Bear Creek Mining Inc., Bear Creek (BVI) Limited, Corani Mining Limited, Bear Creek Mining S.A.C., Bear Creek Exploration Company Ltd. and Bear Creek Mining Company Sucursal del Peru, Bear Creek Resources Company Ltd., and INEDE S.A.C. All significant intercompany transactions and balances have been eliminated.

b) Foreign Currencies

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and of all of its subsidiaries is the United States ("US") Dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21"). The consolidated financial statements have been presented in US dollars.

Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The Company's presentation currency is the US dollar.

c) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, term deposits and other short-term highly liquid investments with the original term to maturity of three months or less.

d) **Short-term Investments**

Short-term investments are investments which are transitional or current in nature, with an original term to maturity greater than three months but less than one year.

e) **Financial Instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Financial instruments held by the Company classified in this category include cash and cash equivalents, and short-term investments.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income. Gains and losses arising from changes in fair value are presented in the statement of income within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are initially measured at fair value with subsequent changes in fair value recognized in other comprehensive income. The Company does not hold any available-for-sale assets.

(iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise other receivables, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(v) Financial liabilities at amortized cost: Financial instruments held by the Company and classified in this category include trade payables and accrued liabilities and other liabilities. Trade payables and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables and accrued liabilities are measured at amortized cost using the effective interest method.

The effective interest rate method calculates the amortized cost of a financial instrument and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial instrument.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

f) **Equipment and Leasehold Improvements**

Equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss during the period they are incurred.

The major categories of equipment and leasehold improvements are depreciated on a straight-line basis as follows:

Exploration and office equipment	10 years
Vehicles	5 years
Leasehold improvements	5 years

The Company allocates the amount initially recognized to each asset's significant components and depreciates each component separately. Residual values, amortization methods and useful lives of the assets are reviewed periodically and adjusted on a prospective basis as required.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of loss.

g) **Resource Property and Exploration Costs**

The Company capitalizes the direct costs of acquiring mineral property interests. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

Exploration and evaluation costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration and development costs are capitalized. Exploration and evaluation costs include value-added taxes because the recoverability of these amounts is uncertain.

Ownership in mineral properties involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mineral properties. The Company has investigated ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

h) **Borrowing Costs**

The Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use. Borrowing costs are capitalized when expenditures are incurred and activities are undertaken to acquire an asset or prepare it for its intended use. The amount of borrowing costs capitalized cannot exceed the actual amount of borrowing costs incurred during the period. All other borrowing costs are expensed as incurred. Capitalization of borrowing costs is discontinued when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Capitalized borrowing costs will be amortized over the useful life of the related asset.

i) **Impairment of Non-financial Assets**

The carrying amounts of non-financial assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Non-financial assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the statement of loss.

j) **Provisions**

(i) Decommissioning and restoration provision: Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations are initially recognized and recorded as a liability based on estimated future cash flows discounted at a pre-tax discount rate which reflects the risks specific to the liability. The decommissioning and restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the pre-tax discount rate which reflects the risks specific to the liability.

The liability is also accreted to full value over time through periodic charges to earnings. This unwinding of the discount is charged to financing expense in the statement of loss.

The amount of the decommissioning and restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to earnings. The method of amortization follows that of the underlying asset. The costs related to a decommissioning and restoration provision are only capitalized to the extent that the amount meets the definition of an asset and can bring about future economic benefit.

(ii) Other provisions: Provisions are recognized when a current legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate pre-tax rate, risk specific to the liability.

k) **Share-Based Compensation**

The Company grants stock options to directors, officers, employees and other service providers. Option terms and vesting conditions are at the discretion of the Board of Directors. In general, options are granted for a term of five years with vesting of 25% on the date of grant, 25% six months from the date of grant, 25% one year from the date of grant and 25% eighteen months from the date of grant. The option exercise price is equal to the closing market price on the TSX Venture Exchange on the day preceding the date of grant.

The fair value method of accounting is used for stock-based compensation. Under this method, the cost of stock options and other equity-settled share-based payment arrangements is recorded based on the date of grant estimated fair value of each tranche using the Black-Scholes option pricing model, and charged to earnings over the vesting period. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of loss, with a corresponding adjustment to equity.

l) **Income Taxes**

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

m) **Loss per Share**

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of outstanding options and their equivalents are reflected in diluted earnings per share by application of the treasury stock method. Since the Company has losses, the assumed exercise of outstanding stock options has not been included in this calculation as it would be anti-dilutive.

4. Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant areas where judgment is applied include the determination of an entity's functional currency, the carrying value and recoverability of mineral property costs, estimated depreciable lives of equipment, inputs used in accounting for share-based compensation and provisions for site restoration. Actual results could differ from these estimates.

Management's key estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates

Significant assumptions relate to, but are not limited to, the following:

i) Share-based compensation: The Company provides compensation benefits to our employees, directors and officers through a stock option plan. The fair value of each option award is estimated on the date of the grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatility of the Company's share price. Historical data is utilized to estimate option exercises and forfeiture behaviour with the valuation model. The risk-free rate for the expected term of the option is based on the Government of Canada yield curve in effect at the time of the grant.

ii) Impairment of mineral properties: The net carrying value of each mineral property is reviewed regularly for conditions that suggest impairment. This review requires significant judgment as the Company does not have any proven and probable reserves that enable estimated future cash flows to be compared to the carrying values. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant decrease in the market price of the property; whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future and whether the Company has the necessary funds to be able to maintain its interest in the mineral property.

5. 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 Standards impacted that are applicable to the Company are as follows:

a) IFRS 9, Financial Instruments ("IFRS 9") was issued by IASB in October 2010 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. There are two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

   In December 2011, the effective date of IFRS 9 was deferred to years beginning on or after January 1, 2015. The Company is currently evaluating the impact of this standard.

b) 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"), effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as a determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The Standard is not expected to have an impact on the Company in its current form.

c) IFRS 11, Joint Arrangements ("IFRS 11"), was issued in May 2011 and will supersede existing IAS 31, Joint Ventures ("IAS 31") effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The Standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. The Standard is not expected to have an impact on the Company in its current form.

d) 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. IFRS 12 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Standard is not expected to have a significant impact on the Company in its current form.

e) 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. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Standard is not expected to have a significant impact on the Company in its current form.

f) 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 revision is effective for annual periods beginning on or after July 1, 2012 with early application permitted. The Standard is not expected to have a significant impact on the Company in its current form.

g) IFRIC 20, Stripping Costs in the Production Phase of a Mine ("IFRIC 20") was issued in October 2011. This interpretation provides guidance on the accounting for the costs of stripping activity in the production phase when two benefits accrue to the entity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. IFRIC 20 is applicable for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Standard is not expected to have an impact on the Company in its current form.

6. Financial Instruments

Categories of financial instruments

		December 31, 2012		December 31, 2011
Financial assets				
Held for trading				
Cash and cash equivalents	**$**	**64,378**	$	93,027
Short-term investments		**4,067**		2,004
Loans and receivables				
Receivables		**131**		423
	$	**68,576**	$	95,454
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	**$**	**1,721**	$	1,762
Other liabilities		**1,764**		2,447
	$	**3,485**	$	4,209

a) **Fair value**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities
Level 2 – Inputs other than quoted prices that are directly or indirectly observable for the asset or liability; and
Level 3 – Inputs that are not based on observable market data.

		December 31, 2012		December 31, 2011
Level 1				
Short-term investments – common shares	**$**	**5**	$	10
Level 2				
Cash and cash equivalents	**$**	**64,378**	$	93,027
Short-term investments - term deposits	**$**	**4,062**	$	1,994

The carrying values of receivables, accounts payable and accrued liabilities, and current portion of other liabilities approximate their fair value because of the short-term nature of these instruments. The carrying values of other non-current liabilities also approximate their fair value.

b) **Management of financial risk**

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

i. Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Peru, Canada and the United States, and a portion of its expenses are incurred in Canadian dollars and Peruvian Soles. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and the Peruvian Sol to the US dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. At December 31, 2012, the Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and Peruvian Soles:

	December 31, 2012			
	Canadian Dollars		Peruvian Soles	
Cash and cash equivalents, and short-term investments	$	15,046	$	91
Receivables	$	11	$	79
Accounts payable and accrued liabilities	$	(128)	$	(6,185)

Based on the above net exposures as at December 31, 2012, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase/decrease of $1.5 million in the Company's loss for the period. A 10% depreciation or appreciation of the US dollar against the Peruvian Sol would result in a decrease/increase of $0.2 million in the Company's loss for the period.

ii. Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit risk the Company is exposed to is 100% of cash and cash equivalents, short-term investments and receivables.

The Company's cash and cash equivalents, and short-term investments are held through large Canadian financial institutions. Short-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian banks. These investments mature at various dates over the current operating period.

iii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements by taking into account anticipated cash expenditures for its exploration and other operating activities, and its holdings of cash and cash equivalents, and short-term investments. The Company will pursue equity or debt financing as required to meet its long-term commitments. There is no assurance that such financing will be available or that it will be available on favourable terms.

As at December 31, 2012, the Company's financial liabilities consist of accounts payable and accrued liabilities totalling $1.7 million, which are expected to be paid within 90 days, and other liabilities of $1.8 million, which are expected to be paid over the next ten years.

iv. Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Based on the amount of cash and cash equivalents invested as at December 31, 2012 and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an increase/decrease of $0.3 million in the interest earned by the Company per annum.

7. Cash and Cash Equivalents

	December 31, 2012	December 31, 2011
Cash	**$ 11,063**	$ 25,544
Guaranteed investment certificate	**4,000**	-
Investment savings account	**49,315**	67,483
	$ 64,378	$ 93,027

8. Short-term Investments

	December 31, 2012	December 31, 2011
Common shares – Magellan Minerals Ltd.	**$ 5**	$ 10
Term deposits	**4,062**	1,994
	$ 4,067	$ 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.

9. Equipment and Leasehold Improvements

		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**

		December 31, 2011				
		Cost		Accumulated Amortization		Net Book Value
Computer Software	$	92	$	62	$	30
Exploration Equipment		285		91		194
Vehicles		335		309		26
Office Equipment		73		31		42
Leasehold Improvements		129		26		103
	$	914	$	519	$	395

10. Resource Property Costs

		Corani Project		**Carito Project**		**Santa Ana Project**		**Total**
Balance at December 31, 2010	$	69,648	$	-	$	752	$	70,400
Land acquisition costs		4,182		-		283		4,465
Accretion of purchase liability *(Note 11)*		106		-		-		106
Changes in estimate of provision for site restoration		-		-		(100)		(100)
Impairment loss		-		-		(935)		(935)
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**

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) **Carita Project**

On November 5, 2012, the Company entered into an 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) **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 was notified that the Peruvian Government issued a Supreme Decree (the "2011 Supreme Decree") that reversed an earlier Supreme Decree issued in 2007 (the "2007 Supreme Decree"). The 2007 Supreme Decree granted the Company the right to acquire title to and operate within mineral concessions covering the Santa Ana Project. The 2011 Supreme Decree rescinded the Company's rights to operate; 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 US$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 injunction 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 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 2011 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 law. The Amparo hearing is expected during the first half of 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 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 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. 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 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 legal arguments.

On February 5, 2013, the Company was informed that the judge had dismissed the MEM Civil Suit. The dismissal was based on technical grounds described previously. The Company was also informed that the MEM has appealed the judge's decision to the next level of court, namely the Peruvian Superior Court. The Company's Peruvian counsel believe that the court's current ruling is pivotal to Bear Creek's ongoing legal standing on this matter, pending the outcome of the appeal.

d) **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.

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 $3.0 million of qualified expenditures by March 31, 2014. Approximately $1.2 million of qualified expenditures has been incurred by JOGMEC as of December 31, 2012.

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.

Corani Exploration and Evaluation Costs:	**Year Ended December 31**	
	2012	2011
Corani		
Assaying and sampling	**$ 73**	$ 23
Community contributions	**1,949**	1,095
Drilling	**1,039**	2,646
Engineering and consulting	**4,176**	3,272
Environmental	**3,081**	-
Maintenance costs	**22**	45
Salary and consulting	**1,562**	2,267
Supplies and general	**1,932**	2,028
Travel	**1,072**	1,010
Costs for the Year	**$ 14,906**	$ 12,386

Exploration and Evaluation Costs:	**Year Ended December 31**	
	2012	2011
Santa Ana		
Assaying and sampling	**-**	94
Drilling	**-**	79
Engineering and consulting	**-**	1,075
Maintenance costs	**92**	167
Salary and consulting	**239**	1,039
Supplies and general	**155**	534
Travel	**3**	164
	489	3,152
Tassa		
Assaying and sampling	**81**	37
Drilling	**918**	379
Geophysics	**-**	70
Salary and consulting	**459**	452
Supplies and general	**380**	375
Travel	**117**	325
	1,955	1,638
La Yegua		
Assaying and sampling	**4**	16
Drilling	**-**	387
Maintenance costs	**13**	36
Salary and consulting	**125**	310
Supplies and general	**98**	152
Travel	**-**	115
Recovery of costs	**(318)**	(893)
	(78)	123
Sumi		
Assaying and sampling	**9**	-
Drilling	**190**	-
Geophysics	**112**	-
Maintenance costs	**12**	-
Salary and consulting	**287**	-
Supplies and general	**139**	-
Travel	**52**	-
	801	-
Generative		
Assaying and sampling	**83**	58
Maintenance costs	**41**	127
Salary and consulting	**730**	507
Supplies and general	**182**	224
Travel	**284**	236
	1,320	1,152
Other Properties	**31**	4
Value added tax	**2,110**	2,024
Costs for the Year	**$ 6,628**	$ 8,093

11. 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 December 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. Approximately $1.0 million of the funding commitment was paid as of December 31, 2012. All community contributions have been expensed.

Other liabilities – December 31, 2011	$	2,447
Less: payments		(824)
Foreign exchange loss		141
Balance as of December 31, 2012	$	1,764
Less: current portion of other liabilities		**(375)**
Other liabilities – December 31, 2012	**$**	**1,389**

12. 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 December 31, 2012, a total of 3,343,464 options were reserved under the option plan with 5,877,700 options outstanding.

a) Movements in share options during the year

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

	December 31, 2012		December 31, 2011	
	Number of options	**Weighted average exercise price (in CDN$)**	Number of options	Weighted average exercise price (in CDN$)
Options outstanding, beginning of the year	3,440,500	5.97	2,336,000	4.14
Granted	3,052,200	3.70	1,353,000	8.85
Exercised	(60,000)	1.79	(200,500)	3.36
Expired	(445,000)	7.99	-	-
Forfeited	(18,000)	3.73	(48,000)	8.53
Cancelled	(92,000)	8.86	-	-
Options outstanding, end of the year	**5,877,700**	**4.64**	3,440,500	5.97

b) Fair value of share options granted

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.

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.

	2012	2011
Expected dividend yield	**0.00%**	0.00%
Expected stock price volatility	**79.42%**	77.7%
Risk-free interest rate	**1.27%**	2.14%
Expected life of options	**3.8 years**	3.9 years
Grant date fair value	**$2.10**	$5.05

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 December 31, 2012 is as follows:

Options Outstanding	Options Exercisable	**Price per Share**	**Remaining contractual life (years)**	**Expiry Date**
150,000	150,000	CDN$4.95	0.50	July 2, 2013
835,500	835,500	CDN$1.24	1.07	January 27, 2014
50,000	50,000	CDN$1.90	1.63	August 18, 2014
150,000	150,000	CDN$4.00	1.79	October 14, 2014
240,000	240,000	CDN$4.12	2.18	March 8, 2015
90,000	90,000	CDN$8.80	2.90	November 23, 2015
75,000	75,000	CDN$9.95	2.93	December 6, 2015
120,000	120,000	CDN$8.30	3.09	February 1, 2016
818,000	818,000	CDN$10.77	3.23	March 23, 2016
340,000	255,000	CDN$4.01	3.67	September 2, 2016
75,000	37,500	CDN$3.67	4.01	January 4, 2017
2,533,200	1,266,600	CDN$3.73	4.07	January 23, 2017
16,000	8,000	CDN$3.64	4.26	April 3, 2017
30,000	15,000	CDN$2.71	4.45	June 11, 2017
355,000	88,750	CDN$3.55	4.88	November 15, 2017
5,877,700	**4,199,350**		**2.98**	

The weighted average exercise price of exercisable options at December 31, 2012 is CDN$4.64.

13. 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

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

	Note	**Year ended December 31, 2012**	Year ended December 31, 2011
Legal fees		**$ 341**	$ 284
Accounting fees		**115**	9
		$ 456	$ 293

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at December 31, 2012 included $35 (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 years ended December 31, 2012 and 2011 were as follows:

	Note		**Year ended December 31, 2012**		Year ended December 31, 2011
Salaries and directors' fees	(i) (ii)	**$**	**980**	$	932
Share-based compensation	(iii)		**4,770**		5,113
		$	**5,750**	$	6,045

(i) Share-based compensation represents the non-cash expense for the years ended December 31, 2012 and 2011, 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 as disclosed in Note 13(a).
(iii) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended December 31, 2012 and 2011.

14. 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:

Total Assets		**December 31, 2012**		December 31, 2011
Peru	**$**	**76,514**	$	75,166
Canada		**68,492**		94,849
United States		**34**		36
	$	**145,040**	$	170,051

Net Loss (Income)		**Year ended December 31, 2012**		Year ended December 31, 2011
Peru	**$**	**21,887**	$	20,592
Canada		**9,144**		8,060
United States		**(19)**		1,071
	$	**31,012**	$	29,723

15. 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.

16. Income Taxes

a) Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	Year ended December 31, 2012	Year ended December 31, 2011
Loss before income taxes	**$ (31,012)**	$ (29,723)
Canadian federal and provincial income tax rates	**25.0%**	26.5%
Income tax recovery based on the above rates	**(7,753)**	(7,877)
Non-deductible expenses	**2,499**	2,264
Effect of change in Canadian and foreign tax rates	**(959)**	(650)
Tax losses expired during the year	**615**	-
Tax effect of tax losses and temporary differences not recognized	**5,598**	6,263
Total income tax expense	**$ -**	$ -

b) The components of deferred income taxes are as follows:

	December 31, 2012	December 31, 2011
Deferred income tax assets:		
Non-capital losses	**$ 7,419**	$ 5,024
Share issue costs and other	**4,061**	4,430
Property plant and equipment	**30**	2
Resource properties costs	**19,142**	14,700
Total unrecognized deferred tax assets	**$ 30,652**	$ 24,156
Deferred income tax liabilities	**Nil**	Nil

The Company has non-capital loss carry-forwards of approximately $25,689 that may be available for tax purposes. The loss carry-forwards are all in respect of Canadian and Peruvian operations and expire as follows:

Year		Amount
2013	$	1,559
2014		678
2015		728
2016		697
2026		556
2027		2,595
2028		1,880
2029		2,458
2030		4,167
2031		2,927
2032		7,444
	$	25,689

A full valuation allowance has been recorded against the net potential deferred income tax assets associated with the Canadian and Peruvian loss carry-forwards and certain other deductible temporary differences as their utilization is not considered probable at this time.

17. Subsequent Events

Subsequent to the year ended December 31, 2012:

a) On February 6, 2013, the Company granted 1,928,000 incentive stock options to certain directors, officers, and employees. The options are exercisable at CDN$3.25 per common share for a period of five years from the date of grant.

b) On February 27, 2013, the Company entered into an agreement to purchase 100% of the Maria Jose Prospect for $4.0 million over a four-year period. The initial option payment is US$300,000 and the second payment of US$250,000 is due in 18 months. An additional payment of US$2 million 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.