

BEAR CREEK MINING CORPORATION

(An Exploration Stage Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Six Months Ended June 30, 2012 AND 2011

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, 2012		December 31, 2011
ASSETS					
Current assets					
Cash and cash equivalents	3	\$	79,480	\$	93,027
Short-term investments	4		1,994		2,004
Receivables and prepaid expenses			465		689
			81,939		95,720
Non-current assets					
Equipment and leasehold improvements			367		395
Resource property costs	5		74,809		73,936
TOTAL ASSETS		\$	157,115	\$	170,051
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		\$	1,244	\$	1,762
Current portion of other liabilities	6		518		544
			1,762		2,306
Non-current liabilities					
Other liabilities	6		1,901		1,903
Provision for site restoration			200		200
			3,863		4,409
EQUITY					
Share capital	7		263,888		263,729
Contributed surplus			22,310		17,605
Deficit			(132,946)		(115,692)
			153,252		165,642
TOTAL LIABILITIES AND EQUITY		\$	157,115	\$	170,051

ON BEHALF OF THE BOARD:

Signed "Catherine McLeod-Seltzer", Director

Signed "Nolan Watson", Director

The accompanying notes are an integral part of these interim 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	
		2012	2011	2012	2011
Operating expenses					
Exploration and evaluation costs	5	\$ 5,693	\$ 3,749	\$ 10,846	\$ 6,948
Share-based compensation		1,673	1,572	4,770	3,875
Wages and management salaries		288	111	647	306
Professional and advisory fees		149	205	474	383
Shareholder information and filing fees		86	132	259	272
General office expenses		67	62	144	142
Travel		58	93	130	141
Loss before other items		8,014	5,924	17,270	12,067
Other income and expense					
Foreign exchange (gain) loss		326	(102)	110	(680)
Gain on settlement of financial liability		-	-	-	(765)
Impairment loss		-	1,031	-	1,031
Finance income		(88)	(93)	(132)	(207)
Other losses		3	8	6	14
Loss and Comprehensive Loss for the Period		\$ 8,255	\$ 6,768	\$ 17,254	\$ 11,460
Loss per Share – Basic and Diluted		\$ 0.09	\$ 0.07	\$ 0.19	\$ 0.12
Weighted Average Number of Shares Outstanding		92,162,188	92,176,271	92,161,914	92,069,299

The accompanying notes are an integral part of these interim 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	2012	2011
Operating Activities			
Loss for the period	\$	(17,254)	\$ (11,460)
Adjustments for:			
Amortization		72	34
Gain on settlement of financial liability		-	(765)
Loss on investments		6	14
Share-based compensation		4,770	3,875
Impairment loss		-	1,031
Interest income		(12)	(2)
Unrealized foreign exchange gain		61	(650)
		(12,357)	(7,923)
Changes in current assets and liabilities:			
Receivables and prepaid expenses		236	(177)
Accounts payable and accrued liabilities		(517)	39
Cash used in operating activities		(12,638)	(8,061)
Investing Activities			
Purchase of equipment and leasehold improvements		(43)	(182)
Resource acquisition costs		(873)	(978)
Payment of Corani obligation		(59)	-
Short-term investments		-	(25,031)
Cash used in investing activities		(975)	(26,191)
Financing Activities			
Payments to Rio Tinto Mining and Exploration Limited		-	(24,100)
Share capital issued - net		93	700
Cash used in by financing activities		93	(23,400)
Effect of exchange rate change on cash and cash equivalents		(27)	649
Net Decrease in Cash and Cash Equivalents		(13,547)	(57,003)
Cash and cash equivalents – Beginning of Period		93,027	143,764
Cash and Cash Equivalents – End of Period	\$	79,480	\$ 86,761

The accompanying notes are an integral part of these interim 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, 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	-	-	3,875	-	3,875
Net loss for the period	-	-	-	(11,460)	(11,460)
June 30, 2011	92,161,639	\$ 263,729	\$ 15,251	\$ (97,429)	\$ 181,551
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

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

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2012

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

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

The accounting policies adopted are consistent with those of the previous financial year. The interim condensed consolidated financial statements were approved by the Board of Directors on August 23, 2012.

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

3. Cash and cash equivalents

	June 30, 2012	December 31, 2011
Cash	\$ 11,986	\$ 25,544
Discounted commercial paper	14,000	-
Investment savings account	53,494	67,483
	\$ 79,480	\$ 93,027

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2012

US Dollars (000's except share data)

(Unaudited)

4. Short-term Investments

	June 30, 2012	December 31, 2011
Common shares – Magellan Minerals Ltd.	\$ 4	\$ 10
Term deposits	1,990	1,994
	\$ 1,994	\$ 2,004

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

5. Resource Property Costs

	Corani Project
Balance at December 31, 2011	\$ 73,936
Land acquisition costs	873
Balance at June 30, 2012	\$ 74,809

a) Corani Project

The Corani Project was acquired by an option to acquire a 70% interest in the Corani Project and then by purchasing the remaining 30% interest in the project from Rio Tinto. The final payments to acquire the remaining 30% of the project were made in 2011.

b) Santa Ana Project

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

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

c) La Yegua Project

The La Yegua gold-copper prospect is located in southern Peru and was acquired by staking of mineral rights in 2004. In 2010 the Company entered into an agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") that provides for JOGMEC to earn a 51% interest in the project by funding \$3.0 million of qualified expenditures by March 31, 2014. Approximately \$1.4 million of qualified expenditures has been incurred by JOGMEC as of June 30, 2012.

Bear Creek Mining Corporation
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Notes to Interim Condensed Consolidated Financial Statements

June 30, 2012

US Dollars (000's except share data)

(Unaudited)

Exploration costs:	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Corani				
Assaying and sampling	\$ 2	\$ 3	\$ 22	\$ 3
Community relations	470	-	840	-
Drilling	159	125	1,039	125
Engineering and consulting	1,175	540	2,099	827
Environmental studies	768	-	978	-
Maintenance costs	19	43	19	43
Salary and consulting	395	537	632	697
Supplies and general	607	315	1,129	597
Travel	293	166	638	243
	3,888	1,729	7,396	2,535
Santa Ana				
Assaying and sampling	-	35	-	59
Engineering and consulting	-	410	-	892
Maintenance costs	31	16	61	16
Salary and consulting	75	377	148	978
Supplies and general	53	184	111	461
Travel	1	71	3	156
	160	1,093	323	2,562
Tassa				
Assaying and sampling	33	3	73	10
Drilling	410	-	845	-
Geophysics	-	22	-	22
Maintenance costs	4	4	4	5
Salary and consulting	133	162	278	219
Supplies and general	113	88	223	173
Travel	30	48	71	91
	723	327	1,494	519
La Yegua				
Assaying and sampling	4	-	4	-
Maintenance costs	8	24	12	36
Salary and consulting	52	72	69	243
Supplies and general	10	14	61	71
Travel	-	2	-	21
Recovery of costs	(116)	(75)	(228)	(177)
	(42)	37	(82)	194
Generative				
Assaying and sampling	19	13	32	24
Maintenance costs	26	35	28	45
Salary and consulting	165	102	295	200
Supplies and general	39	10	73	21
Travel	58	49	101	93
	307	209	529	383
Other Properties				
	48	62	85	69
Value added tax	609	292	1,101	686
Costs for the Period	\$ 5,693	\$ 3,749	\$ 10,846	\$ 6,948

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2012

US Dollars (000's except share data)

(Unaudited)

6. Other liabilities

The Company has entered into land purchase agreements with local landowners for surface rights access to the Corani project. The agreements provide for periodic yearly payments totalling 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 June 30, 2012. All amounts have been capitalized as mineral properties.

The Company also entered into an agreement to provide the Municipality of Corani with \$1.1 million of funding for the construction of schools and other improvements to the community as determined by the Municipality of Corani. All community contributions have been expensed as of June 30, 2012.

Balance as of December 31, 2011	\$	2,447
Less: payments		(58)
Foreign exchange loss		30
		<hr/>
Balance as of June 30, 2012	\$	2,419
Less: current portion of other liabilities		518
		<hr/>
Other liabilities – June 30, 2012	\$	1,901

7. 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, 2012, a total of 9,221,164 options were reserved under the option plan with 5,536,700 options outstanding.

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Notes to Interim Condensed Consolidated Financial Statements

June 30, 2012

US Dollars (000's except share data)

(Unaudited)

- a) The movements in share options during the period ended June 30, 2012 and the year ended December 31, 2011 were as follows:

	June 30, 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 period	3,440,500	5.97	2,336,000	4.14
Granted	2,697,200	3.72	1,353,000	8.85
Exercised	(50,000)	1.90	(200,500)	3.36
Expired	(445,000)	7.99	(10,000)	8.08
Forfeited	(14,000)	3.73	(38,000)	8.65
Cancelled	(92,000)	8.86	-	-
Options outstanding, end of the period	5,536,700	4.71	3,440,500	5.97

- b) Fair value of share options granted

During the period ended June 30, 2012, the Company granted options to directors, officers and employees to purchase up to 2,697,200 common shares of the Company at a weighted average exercise price of CDN\$3.72 per share. The estimated fair value of the stock options granted during the period ended June 30, 2012 was \$5,782 using the Black-Scholes option pricing model.

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

	2012	2011
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	81.16%	77.67%
Risk-free interest rate	1.29%	2.14%
Expected life of options	3.8 years	3.9 years
Grant date fair value	\$2.14	\$5.14

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

Bear Creek Mining Corporation
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Notes to Interim Condensed Consolidated Financial Statements

June 30, 2012

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, 2012 is as follows:

Options Outstanding	Options Exercisable	Price per Share	Remaining contractual life (years)	Expiry Date
150,000	150,000	CDN\$4.95	1.01	July 2, 2013
845,500	845,500	CDN\$1.24	1.58	January 27, 2014
50,000	50,000	CDN\$1.90	2.14	August 18, 2014
150,000	150,000	CDN\$4.00	2.29	October 14, 2014
240,000	240,000	CDN\$4.12	2.69	March 8, 2015
90,000	90,000	CDN\$8.80	3.40	November 23, 2015
75,000	75,000	CDN\$9.95	3.44	December 6, 2015
120,000	90,000	CDN\$8.30	3.59	February 1, 2016
818,000	613,500	CDN\$10.77	3.73	March 23, 2016
340,000	170,000	CDN\$4.01	4.18	September 2, 2016
75,000	18,750	CDN\$3.67	4.52	January 4, 2017
2,537,200	662,800	CDN\$3.73	4.57	January 23, 2017
16,000	4,000	CDN\$3.64	4.76	April 3, 2017
30,000	7,500	CDN\$2.71	4.95	June 11, 2017
5,536,700	3,167,050		3.35	

The weighted average exercise price of exercisable options at June 30, 2012 is CDN\$4.93.

8. Related Party Transactions

a) Trading transactions

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

	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	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	\$ 90	\$ 82	\$ 235	\$ 178
	43	-	43	9
(i)	\$ 133	\$ 82	\$ 278	\$ 187

(i) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at June 30, 2012 included \$63 (December 31, 2011 - \$66) which were due to individuals or companies whose officers, directors or partners were also officers or directors of the Company.

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2012

US Dollars (000's except share data)

(Unaudited)

b) Compensation of key management personnel

The remuneration of the directors, chief executive officer, president and chief operating officer, chief financial officer and vice president of operations (collectively, the key management personnel) during the three and six months ended June 30, 2012 and 2011 were as follows:

		Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	Note				
Salaries and directors' fees		218	237	734	710
Share-based compensation	(i)	1,393	1,316	3,974	3,240
		\$ 1,611	\$ 1,553	\$ 4,708	\$ 3,950

- (i) Share-based compensation represents the non-cash expense for the three and six months ended June 30, 2012, translated at the grant date foreign exchange rate.
- (ii) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three and six months ended June 30, 2012 and 2011.

9. 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		June 30, 2012		December 31, 2011
Peru	\$	76,555	\$	75,166
Canada		80,542		94,849
United States		18		36
	\$	157,115	\$	170,051

Total Non-Current Assets		June 30, 2012		December 31, 2011
Peru	\$	75,169	\$	74,325
Canada		5		4
United States		2		2
	\$	75,176	\$	74,331

		Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net Loss (Income)					
Peru	\$	5,713	\$ 3,761	\$ 10,928	\$ 6,971
Canada		2,554	2,900	6,354	4,499
United States		(12)	107	(28)	(10)
	\$	8,255	\$ 6,768	\$ 17,254	\$ 11,460