

BEAR CREEK MINING CORPORATION

(An Exploration Stage Company)

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

Nine Months Ended September 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	September 30, 2012	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	3	\$ 70,917	\$ 93,027
Short-term investments	4	4,089	2,004
Receivables and prepaid expenses		362	689
		75,368	95,720
Non-current assets			
Equipment and leasehold improvements		350	395
Resource property costs	5	75,228	73,936
TOTAL ASSETS		\$ 150,946	\$ 170,051
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,478	\$ 1,762
Current portion of other liabilities	6	446	544
		1,924	2,306
Non-current liabilities			
Other liabilities	6	1,427	1,903
Provision for site restoration		200	200
		3,551	4,409
EQUITY			
Share capital	7	263,888	263,729
Contributed surplus	7	23,346	17,605
Deficit		(139,839)	(115,692)
		147,395	165,642
TOTAL LIABILITIES AND EQUITY		\$ 150,946	\$ 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

US Dollars (000's, except share data)

(Unaudited)

	Note	Three Months Ended September 30		Nine Months Ended September 30	
		2012	2011	2012	2011
Operating expenses					
Exploration and evaluation costs	5	\$ 5,856	\$ 6,381	\$ 16,702	\$ 13,124
Share-based compensation		1,035	1,496	5,805	5,371
Wages and management salaries		250	298	895	888
Professional and advisory fees		63	122	537	394
Shareholder information and filing fees		85	51	344	356
General office expenses		58	60	202	202
Travel		32	44	162	185
Loss before other items		7,379	8,452	24,647	20,520
Other income and expense					
Foreign exchange (gain) loss		(406)	1,266	(296)	586
Gain on settlement of financial liability		-	-	-	(765)
Impairment loss		-	(96)	-	935
Finance income		(80)	(75)	(211)	(282)
Other losses		-	6	7	20
Loss and Comprehensive Loss for the Period		\$ 6,893	\$ 9,553	\$ 24,147	\$ 21,014
Loss per Share – Basic and Diluted		\$ 0.07	\$ 0.10	\$ 0.26	\$ 0.23
Weighted Average Number of Shares Outstanding		92,211,639	92,161,639	92,178,610	92,100,417

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

US Dollars (000's)
(Unaudited)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Operating Activities		
Loss for the period	\$ (24,147)	\$ (21,014)
Adjustments for:		
Amortization	105	86
Community contributions		657
Gain on settlement of financial liability	-	(765)
Loss on investments	7	20
Share-based compensation	5,805	5,371
Impairment loss	-	935
Interest income	-	(9)
Unrealized foreign exchange gain	(415)	535
	(18,645)	(14,184)
Changes in current assets and liabilities:		
Receivables and prepaid expenses	327	(241)
Accounts payable and accrued liabilities	(282)	(351)
Cash used in operating activities	(18,600)	(14,776)
Investing Activities		
Purchase of equipment and leasehold improvements	(60)	(275)
Resource acquisition costs	(1,292)	(2,350)
Payment of Corani obligation	(668)	-
Short-term investments	(2,024)	(1,925)
Cash used in investing activities	(4,044)	(4,550)
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	441	(534)
Net Decrease in Cash and Cash Equivalents	(22,110)	(43,260)
Cash and cash equivalents – Beginning of Period	93,027	143,764
Cash and Cash Equivalents – End of Period	\$ 70,917	\$ 100,504

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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	-	-	5,371	-	5,371
Net loss for the period	-	-	-	(21,014)	(21,014)
September 30, 2011	92,161,639	\$ 263,729	\$ 16,747	\$ (106,983)	\$ 173,493
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	-	-	5,806	-	5,806
Net loss for the period	-	-	-	(24,147)	(24,147)
September 30, 2012	92,211,639	\$ 263,888	\$ 23,346	\$ (139,839)	\$ 147,395

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

September 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 November 13, 2012.

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

3. Cash and Cash Equivalents

	September 30, 2012	December 31, 2011
Cash	\$ 5,006	\$ 25,544
Guaranteed investment certificate	14,006	-
Investment savings account	51,905	67,483
	\$ 70,917	\$ 93,027

Bear Creek Mining Corporation
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Notes to Interim Condensed Consolidated Financial Statements

September 30, 2012

US Dollars (000's except share data)

(Unaudited)

4. Short-term Investments

	September 30, 2012	December 31, 2011
Common shares – Magellan Minerals Ltd.	\$ 4	\$ 10
Term deposits	4,085	1,994
	\$ 4,089	\$ 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	1,298
Balance at September 30, 2012	\$ 75,228

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 September 30, 2012.

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(An Exploration Stage Company)

Notes to Interim Condensed Consolidated Financial Statements

September 30, 2012

US Dollars (000's except share data)

(Unaudited)

Exploration costs:	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Corani				
Assaying and sampling	\$ 26	\$ 7	\$ 47	\$ 10
Community relations	508	1,095	1,348	1,095
Drilling	-	828	1,039	953
Engineering and consulting	1,344	1,154	3,444	1,981
Environmental studies	1,488	-	2,466	-
Geophysics	-	28	-	28
Maintenance costs	3	-	22	43
Salary and consulting	362	664	994	1,258
Supplies and general	492	320	1,621	916
Travel	189	482	827	725
	4,412	4,578	11,808	7,009
Santa Ana				
Assaying and sampling	-	24	-	83
Drilling	-	79	-	79
Engineering and consulting	-	183	-	1,075
Maintenance costs	16	88	77	104
Salary and consulting	42	46	190	922
Supplies and general	37	4	148	465
Travel	-	8	3	164
	95	432	418	2,892
Tassa				
Assaying and sampling	9	7	81	17
Drilling	73	24	918	24
Geophysics	-	48	-	70
Maintenance costs	-	-	4	5
Salary and consulting	94	77	372	296
Supplies and general	98	50	321	222
Travel	27	192	98	283
	301	398	1,794	917
La Yegua				
Assaying and sampling	-	81	4	81
Maintenance costs	1	-	13	36
Salary and consulting	21	48	90	291
Supplies and general	12	47	73	118
Travel	-	27	-	48
Recovery of costs	(34)	(135)	(262)	(312)
	-	68	(82)	262
Generative				
Assaying and sampling	21	10	53	35
Maintenance costs	11	42	39	86
Salary and consulting	219	102	515	303
Supplies and general	60	58	133	79
Travel	89	47	190	140
	400	259	930	643
Other Properties	118	54	203	123
Value added tax	530	592	1,631	1,278
Costs for the Period	\$ 5,856	\$ 6,381	\$ 16,702	\$ 13,124

Bear Creek Mining Corporation
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Notes to Interim Condensed Consolidated Financial Statements

September 30, 2012

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6. Other Liabilities

The Company has entered into land purchase agreements with local landowners for surface rights access to the Corani project. The agreements provide for periodic 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 September 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, of which \$0.6 million was paid during the period ending September 30, 2012. All community contributions have been expensed as of September 30, 2012.

Balance as of December 31, 2011	\$	2,447
Less: payments		(668)
Foreign exchange loss		94
		<hr/>
Balance as of September 30, 2012	\$	1,873
Less: current portion of other liabilities		446
		<hr/>
Other liabilities – September 30, 2012	\$	1,427

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 September 30, 2012, a total of 9,221,164 options were reserved under the option plan with 5,532,700 options outstanding.

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

Bear Creek Mining Corporation
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Notes to Interim Condensed Consolidated Financial Statements

September 30, 2012

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

	For the Nine Months Ended September 30, 2012		For the Year Ended 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	(18,000)	3.73	(38,000)	8.65
Cancelled	(92,000)	8.86	-	-
Options outstanding, end of the period	5,532,700	4.71	3,440,500	5.97

b) Fair value of share options granted

During the period ended September 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 September 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.

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c) Share options outstanding at the end of the period

A summary of the Company's options outstanding as at September 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	0.75	July 2, 2013
845,500	845,500	CDN\$1.24	1.33	January 27, 2014
50,000	50,000	CDN\$1.90	1.88	August 18, 2014
150,000	150,000	CDN\$4.00	2.04	October 14, 2014
240,000	240,000	CDN\$4.12	2.44	March 8, 2015
90,000	90,000	CDN\$8.80	3.15	November 23, 2015
75,000	75,000	CDN\$9.95	3.18	December 6, 2015
120,000	120,000	CDN\$8.30	3.34	February 1, 2016
818,000	818,000	CDN\$10.77	3.48	March 23, 2016
340,000	255,000	CDN\$4.01	3.93	September 2, 2016
75,000	37,500	CDN\$3.67	4.27	January 4, 2017
2,533,200	1,266,600	CDN\$3.73	4.32	January 23, 2017
16,000	4,000	CDN\$3.64	4.51	April 3, 2017
30,000	7,500	CDN\$2.71	4.70	June 11, 2017
5,532,700	4,109,100		3.09	

The weighted average exercise price of exercisable options at September 30, 2012 is CDN\$5.05.

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 September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
	\$ 39	\$ 79	\$ 273	\$ 257
	37	-	81	9
(i)	\$ 76	\$ 79	\$ 354	\$ 266

Bear Creek Mining Corporation
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Notes to Interim Condensed Consolidated Financial Statements

September 30, 2012

US Dollars (000's except share data)

(Unaudited)

- (i) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at September 30, 2012 included \$20 (December 31, 2011 - \$66) which were due to individuals or companies whose officers, directors or partners were also officers or directors of the Company.

b) Compensation of key management personnel

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

	Note	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Salaries and directors' fees	(ii)	193	233	927	943
Share-based compensation	(i)	854	1,178	4,839	4,417
		\$ 1,047	\$ 1,411	\$ 5,766	\$ 5,360

- (i) Share-based compensation represents the non-cash expense for the three and nine months ended September 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 nine months ended September 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	September 30, 2012	December 31, 2011
Peru	\$ 75,959	\$ 75,166
Canada	74,943	94,849
United States	44	36
	\$ 150,946	\$ 170,051

Total Non-Current Assets	September 30, 2012	December 31, 2011
Peru	\$ 75,572	\$ 74,325
Canada	4	4
United States	2	2
	\$ 75,578	\$ 74,331

Bear Creek Mining Corporation*(An Exploration Stage Company)***Notes to Interim Condensed Consolidated Financial Statements****September 30, 2012***US Dollars (000's except share data)**(Unaudited)*

	Three Months Ended September 30, 2012		Three Months Ended September 30, 2011		Nine Months Ended September 30, 2012		Nine Months Ended September 30, 2011	
Net Loss (Income)								
Peru	\$	5,988	\$	6,498	\$	16,916	\$	13,470
Canada		915		3,061		7,269		7,560
United States		(10)		(6)		(38)		(16)
	\$	6,893	\$	9,553	\$	24,147	\$	21,014
