

BEAR CREEK MINING CORPORATION

(Formerly EVEvolution Ventures Inc.)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2003

(Prepared by Management)

Toronto Venture Exchange

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Bear Creek Mining Corporation
(An Exploration Stage Company)
Interim Consolidated Balance Sheet
U.S. Funds
Prepared by Management

Statement 1

ASSETS		As at 30 June 2003	As at 31 December 2002
Current	Cash	\$ 4,486,667	\$ 44,029
	Short term investments	-	1,661
	Accounts receivable	14,543	-
	Prepaid expenses and deposits	-	3,887
		<u>4,501,210</u>	<u>49,577</u>
Capital Assets, less accumulated amortization		75,312	35,970
		<u>\$ 4,576,522</u>	<u>\$ 85,547</u>
LIABILITIES			
Current	Accounts payable and accrued liabilities	\$ 8,664	\$ 149,187
	Due to related party	-	64,589
		<u>8,664</u>	<u>213,776</u>
Notes Payable			<u>654,926</u>
SHAREHOLDERS' EQUITY			
Share Capital	Authorized: 100,000,000 common shares without par value		
	Issued and fully paid: 27,128,457 (2002 - 4,000,000) common shares	8,041,832	1,908,500
Deficit - Statement 2		<u>(3,473,974)</u>	<u>(2,691,655)</u>
		<u>4,567,858</u>	<u>(783,155)</u>
		<u>\$ 4,576,522</u>	<u>\$ 85,547</u>

ON BEHALF OF THE BOARD:

"Catherine McLeod-Seltzer" _____, Director

"Andrew Swarthout" _____, Director

Bear Creek Mining Corporation
(An Exploration Stage Company)
Interim Consolidated Statement of Operations

Statement 2

U.S. Funds

Prepared by Management

	For The Three Months Ended 30 June 2003	For The Three Months Ended 30 June 2002	For the Six Months Ended 30 June 2003	For the Six Months Ended 30 June 2002
Operating Expenses				
Exploration costs	\$ 399,996	\$ 323,614	\$ 776,756	417,893
Wages and management salary	42,852	20,285	61,002	40,652
Office, secretarial and bookkeeping	12,726	27,931	30,267	36,036
Travel	463	1,196	18,564	3,005
Rent	5,684	4,200	9,284	8,400
Audit and accounting	5,751	3,900	8,239	6,000
Shareholder information	7,812	-	7,812	-
Professional fees	5,018	1,979	6,154	3,491
Transfer agent fees	3,590	-	3,590	-
Stock compensation expense	1,538	-	1,538	-
Amortization	948	2,841	1,387	5,305
Listing and filing fees	362	-	362	-
Interest and bank charges - net	(4,353)	(939)	262	(939)
Foreign exchange loss (gain)	(156,984)	-	(142,898)	-
Loss for the Period	(325,403)	(385,007)	(782,319)	(519,843)
Deficit - Beginning of period	(3,148,571)	(1,569,099)	(2,691,655)	(1,434,263)
Deficit - End of Period	\$ (3,473,974)	\$ (1,954,106)	\$ (3,473,974)	(1,954,106)
Loss per Share - Basic and Diluted	\$ (0.02)	\$ (0.10)	\$ (0.06)	(0.13)

See Accompanying Notes

Bear Creek Mining Corporation
(An Exploration Stage Company)
Interim Consolidated Statement of Cash Flow

Statement 3

U.S. Funds
 Prepared by Management

	For The Three Months Ended 30 June 2003	For The Three Months Ended 30 June 2002	For the Six Months Ended 30 June 2003	For the Six Months Ended 30 June 2002
Operating Activities				
Loss for the period	\$ (325,421)	\$ (385,007)	\$ (782,319)	\$ (519,843)
Items not affecting cash:				
Stock compensation	1,538	-	1,538	-
Amortization	3,472	2,841	6,434	5,305
	<u>(320,411)</u>	<u>(382,166)</u>	<u>(774,347)</u>	<u>(514,538)</u>
Changes in:				
- Accounts receivable	(14,543)	-	(14,543)	-
- Prepaid expenses	-	-	3,887	3,418
- Accounts payable	(567,281)	73,431	(668,820)	96,009
- Due to related parties	(64,589)	64,589	(64,589)	64,589
Cash used in operating activities	<u>(966,824)</u>	<u>(244,146)</u>	<u>(1,518,412)</u>	<u>(350,522)</u>
Investing Activities				
Purchase of capital assets	(45,776)	-	(45,776)	-
Cash used in investing activities	<u>(45,776)</u>	<u>-</u>	<u>(45,776)</u>	<u>-</u>
Financing Activities				
Share capital issued	5,460,091	-	5,460,091	-
Notes payable	-	-	545,074	-
Cash received in financing activities	<u>6,005,165</u>	<u>-</u>	<u>6,005,165</u>	<u>-</u>
Net Increase (Decrease) in Cash Position	4,443,762	(244,146)	4,440,977	(350,522)
Cash position - Beginning of period	42,905	341,712	45,690	448,088
Cash Position - End of Period	\$ 4,486,667	\$ 97,566	\$ 4,486,667	\$ 97,566
Supplemental Schedule of Non-Cash Transactions:				
Shares issued on settlement of notes payable	\$ 1,208,811	\$ -	\$ 1,208,811	\$ -
Shares issued on acquisition of BCMC	\$ (537,108)	\$ -	\$ (537,108)	\$ -

See Accompanying Notes

Bear Creek Mining Corporation
(An Exploration Stage Company)
Interim Consolidated Schedule of Mineral Property Costs

Statement 4

U.S. Funds

Prepared by Management

		For The Three Months Ended 30 June 2003	For The Three Months Ended 30 June 2002	For the Six Months Ended 30 June 2003	For the Six Months Ended 30 June 2002
Estrella	Drilling	\$ 105,133	\$ -	\$ 105,133	\$ -
	Acquisition/claim fees	5,850	-	58,468	-
	Salary	24,699	-	27,906	-
	General	25,433	-	25,474	-
	Assays and sampling	8,552	-	13,629	-
	Travel	9,889	-	9,907	-
		179,556	-	240,517	-
Santa Rosa	Acquisition/claim fees	18,710	1,503	113,423	3,503
	Salary	2,788	41,352	2,880	41,352
	General	2,684	15,500	2,684	15,500
	Travel	2,004	4,825	2,004	4,825
		26,186	63,180	120,991	65,180
Lomo Camello	Acquisition/claim fees	29,786	-	145,022	30,991
	Salaries	-	28,135	-	38,473
	General	-	6,753	-	9,612
	Travel	-	2,918	-	5,148
	Drilling	-	3,697	-	3,697
	Assays	-	1,589	-	1,589
		29,786	43,092	145,022	89,510
Los Osos	Acquisition/claims fees	10,854	30,739	10,854	30,739
	General	206	-	206	177
		11,060	30,739	11,060	30,916
La Pampa	Acquisition/claim fees	7,444	-	7,444	-
	Travel	719	-	719	-
	General	73	-	73	-
	Salary	23	-	23	-
		8,259	-	8,259	-
Aurora	Acquisition/claim fees	351	-	351	-
		351	-	351	-
Pechereque	Acquisition/claim fees	245	4,806	245	4,806
		245	4,806	245	4,806
Los Cristales	Travel	19	-	19	-
	Acquisition/claim fees	-	-	-	3,000
		19	-	19	3,000
Generative exploration		144,534	181,797	250,292	224,481
Costs for the Period		\$ 399,996	\$ 323,614	\$ 776,756	\$ 417,893

See Accompanying Notes

Bear Creek Mining Corporation

(Formerly EVEvolution Ventures Inc.)

Notes to Interim Consolidated Financial Statements

30 June 2003

U.S. Funds

1. Incorporation / Nature of Business

Bear Creek Mining Corporation ("the Company" or "Bear Creek") was incorporated under the Company Act of British Columbia on 31 August 1999 as 4271 Investments Ltd. On 30 September 1999, the Company changed its name to EVEvolution Ventures Inc. and on 14 November 2002 the Company registered as a Yukon company, ceased to be a company in British Columbia and changed its name to Bear Creek Mining Corporation.

On 11 April 2000, the Company obtained a listing on Vancouver's TSX Venture Exchange ("the Exchange"), as a venture capital pool company ("a Capital Pool Company") pursuant to Policy 30 of the then Vancouver Stock Exchange. The Company was required by the Exchange to complete a qualifying transaction in a specified time period in order to maintain its listing. At the company's request, trading was halted effective 29 April 2002 due to the initiation of the qualifying transaction (*Note 8b*).

On 22 April 2003, the Company completed its Qualifying Transaction (*Note 8b*). The Qualifying Transaction has been accounted for as a reverse takeover because the control of the Company passed to the stakeholders of the entities being acquired, being Bear Creek Mining Company ("BCMC") and Peru Exploration Ventures, LLLP. ("PEV"). The comparative numbers as at 31 December 2002 and for the three and six months ended 30 June 2003 are those of BCMC and PEV.

The Company's main business is acquiring and exploring various properties principally located in the Republic of Peru with the objective of identifying mineralized deposits economically worthy of subsequent development, mining and sale.

2. Significant Accounting Policies

a) Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid debt investments with remaining maturities at point of purchase of three months or less. The Company places its cash and cash investments with institutions of high credit worthiness. At times, such investments may be in excess of federal insurance limits.

b) Capital Assets

Capital assets are recorded at cost. The Company provides for amortization on office and exploration equipment at 30% declining balance method. One-half of the amortization is taken in the year of acquisition.

c) Income Taxes

Income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

Bear Creek Mining Corporation

(Formerly EVEvolution Ventures Inc.)

Notes to Interim Consolidated Financial Statements

30 June 2003

U.S. Funds

d) Loss per Share

Basic earnings per share is computed by dividing income available 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 convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

e) Management's Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

f) Change in Accounting Policy

The Company has adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3870 Stock-based Compensation and Other Stock-based Payments ("HS3870"). It is applied on a prospective basis and applies to all awards granted on or after 1 January 2002. HS3870 establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services.

Non-employees

HS3870 requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method.

Employees

HS3870 encourages the use of a fair value based method for all awards granted to employees, but only requires the use of a fair value based method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. Awards that a company has the ability to settle in stock are recorded as equity, whereas awards that the entity is required to or has a practice of settling in cash are recorded as liabilities. The Company has elected to account for employee stock options by measuring compensation cost for options as the excess, if any, of the quoted market price of the Company's common shares at the date of grant over the amount an employee must pay to acquire the common shares. As required for the employee stock options, the Company will disclose pro-forma income (loss) and pro-forma earnings (loss) per share using a fair value based method.

g) Year-End

The Company's fiscal year-end is 31 December.

Bear Creek Mining Corporation

(Formerly EVEvolution Ventures Inc.)

Notes to Interim Consolidated Financial Statements

30 June 2003

U.S. Funds

h) Foreign Currency Translation

The accounts of the Company's foreign transactions have been translated into U.S. dollars as follows:

- Monetary assets and liabilities at period-end rates,
- All other assets and liabilities at historical rates, and
- Revenue and expense at an appropriately weighted average rate of exchange prevailing during the period.

Exchange gains and losses arising from these transactions are reflected in income or expense in the period that they occur.

i) Derivative Financial Instruments

The Company was not a party to any derivative financial instruments during any of the reported fiscal periods.

j) Comparative Figures

Certain of the comparative figures were reclassified, where applicable, to conform with the presentation used in the current period.

k) Consolidation

On 8 October 2002, the Company incorporated a 100% owned subsidiary, EVEvolution Ventures (USA) Inc. in Arizona, USA. This was accounted for under the purchase method of accounting.

l) Exploration Costs

Exploration costs are expensed as incurred since all the Company's mineral property interests remain in the early exploratory stage with any probable or proven mineral reserves yet to be established. If and when the Company's management determines that economically extractable proven or probable mineral reserves have been established, the subsequent costs incurred to develop such property, including costs to further delineate the ore body will be capitalized.

m) Reclamation and Remediation Costs

The Company's operations are subject to the minimum mine reclamation and environmental remediation standards of Peruvian governmental agencies. Although no accruals have yet been required due to the early exploratory stages of the Company's leased mineral properties, the Company will prospectively accrue, on an undiscounted basis, management's best estimate of any future costs that become probable of incurrence, provided that such costs can be reasonably estimated.

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash, short term investments, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

Bear Creek Mining Corporation

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Notes to Interim Consolidated Financial Statements

30 June 2003

U.S. Funds

4. Capital Assets

Details are as follows:

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Office equipment	\$ 11,321	\$ 707	\$ 10,614	\$ -
Exploration equipment	98,538	33,840	64,698	35,970
	<u>\$ 109,859</u>	<u>\$ 34,547</u>	<u>\$ 75,312</u>	<u>\$ 35,970</u>

5. Resource Property Costs

- a) The Company entered into several purchase option agreements with respect to resource properties located in Peru. The Company can explore during the purchase options but must pay an annual lease payment to do so. To keep the agreements in good standing, the Company, at its option, must pay, where applicable, lease and purchase payments as summarized below:

Property	Commencement Date	Option and Lease Term	Annual Lease Payment	Purchase Option Price
Santa Rosa	15 March 2002	48 months	\$ 2,000	\$ 900,000
Lomo de Camello - Paraiso	17 January 2002	36 months	1,000	610,000
Estrella	19 June 2002	48 months	300	3,000,000
				<u>\$ 4,510,000</u>

Each unexercised purchase option may require that the Company deposit, as part payment of the purchase option price, varying amounts at scheduled dates. Any failure to make a scheduled deposit is an act of default, which if not remedied, allows the applicable property title holder to terminate the agreement in its entirety and retain any previously made deposits. Should the Company exercise a purchase option, any previously made deposits will be applied against the purchase price. Should the Company terminate any of the purchase option agreements, as is allowed, any previously made deposits will be forfeited.

Should the Company wish to keep all existing purchase options in good standing, the minimum balance of required deposits and final property purchase payments to keep the remaining purchase option agreements in good standing are as scheduled below:

2003	\$ 355,000
2004	625,000
2005	840,000
2006	2,568,000
	<u>\$ 4,388,000</u>

The Santa Rosa and Lomo de Camello properties were brought to the attention of the Company by two individuals pursuant to separate finder's fee agreements dated 10 December 2001 and 8 November 2001, respectively. Under each of these agreements, the Company is obligated to compensate each of these individuals the lesser of (i) an initial \$10,000 fee (paid) plus 10% of the direct exploration expenditures on the included properties, subject to a guaranteed minimum payment in any 12-month period of \$20,000, or (ii) \$500,000. As of 30 June 2003, a total of \$60,000 has been paid.

Bear Creek Mining Corporation

(Formerly EVEvolution Ventures Inc.)

Notes to Interim Consolidated Financial Statements

30 June 2003

U.S. Funds

b) The Company entered into a term sheet dated 29 May 2002 to earn a 50% interest and management control of a 600 hectare mineral claim named "Brisa 1" in the department of Tacna, Southern Peru, known as the Ataspaca Project. The term sheet provides that the parties will enter into a formal agreement. The Company may earn an undivided 50% interest in the project on spending, at its option, \$50,000 in exploration by 29 November 2003.

c) The Company entered into a letter of intent dated 31 July 2002 to acquire the right to earn at least a 51% interest in a mineral property located in Lamabayaque, Peru, known as the La Pampa property. In order to acquire the 51% interest the Company, at its option, must undertake \$4.5 million of exploration expenditures on the property over a five-year period as follows:

On or before 28 April 2004	\$	100,000
On or before 31 July 2004		300,000
On or before 31 July 2005		700,000
On or before 31 July 2006		1,300,000
On or before 31 July 2007		2,100,000
	\$	<u>4,500,000</u>

Included in the first year of expenditures is the Company's obligation to complete at least 1000 meters of drilling.

6. Bridge Loan Payable

Prior to the completion of the qualifying transaction, the Company entered into an arrangement to borrow \$250,000 (of which \$215,000 was from directors and officers of the Company) to fund ongoing expenses associated with completing the qualifying transaction (Note 8b). The principal, which was unsecured, on this loan plus accrued interest of 12% per annum was repaid on completion of the qualifying transaction. In addition, 86,457 bonus shares were issued to the lenders at the completion of the qualifying transaction. Total interest paid on the bridge loans was \$12,376, of which \$10,378 was to related parties.

7. Notes Payable

Prior to the completion of the qualifying transaction, the Company borrowed \$1,200,000 in funding from a consortium of lenders comprised of \$557,105 from directors and officers and \$642,895 from unrelated individuals and entities. The loan accrued interest at LIBOR (1.447% as at 31 December 2002). Interest of \$8,811 had accrued on these loans as at 22 April 2003, of which \$4,090 was to directors and officers of the Company. As a condition of completing the qualifying transaction (Note 8), the Company issued 2,442,000 Units as repayment of the notes payable. Each Unit consisted of one common share, ½ Series "A" Bridge warrant and ½ Series "B" Bridge warrant. Of the 2,442,000 units issued, 1,133,709 were issued to directors and officers of the company. Each whole Series "A" Bridge warrant entitles the holder to acquire one additional common share of the Company within one year of the issuance of the warrant for a price of \$0.50. Each whole Series "B" Bridge warrant entitles the holder to acquire one additional common share of the Company within one year of the issuance of the warrant for a price of \$0.75.

Bear Creek Mining Corporation

(Formerly EVEvolution Ventures Inc.)

Notes to Interim Consolidated Financial Statements

30 June 2003

U.S. Funds

8. Share Capital

a) Details of share capital are as follows:

	Shares	Amount
Authorized:		
Unlimited (2001 - 50,000,000) common shares without par value		
Issued and fully paid:		
Balance - 31 December 2002	4,000,000	\$ 1,908,500
Shares issued for acquisition	8,600,000	(537,108)
Shares issued for bridge financing	2,442,000	1,208,811
Shares issued by prospectus	11,000,000	5,500,000
Shares issued by private placement	1,000,000	500,000
Bonus shares issued to lenders for lending \$250,000 to the Company until close of the transaction	86,457	-
Share issuance costs	-	(539,909)
Stock compensation	-	1,538
Balance - 30 June 2003	27,128,457	\$ 8,041,832

The number of shares issued as at 31 December 2002 is that of the Company, whereas the dollar value of the shares issued is that of BCMC and PEV.

b) Qualifying Transaction

On 22 April 2003, the Company acquired all of the limited partner interests in PeruEx and all of the shares in the capital of its general partner, BCMC. As consideration for the acquisition, the Company issued 8,600,000 common shares. As additional consideration, principals of the Company transferred, for nominal consideration, 2,400,000 common shares of the Company, that are currently held in escrow, to the security holders of BCMC and the limited partnership.

The qualifying transaction was accounted for as a reverse takeover, because the control of the combined company passed to the stakeholders of the entities acquired. The purchase method of accounting was applied with the shares issued as consideration being recorded at the fair value of the net assets of the Company, which has been determined to be equal to the net book value of the Company. Costs relating to the transaction were written off as incurred.

Shares issued:

Concurrent with the closing of the acquisition, the Company completed a prospectus, dated 1 April 2003, to issue 11,000,000 units ("Units") at a price of \$0.50 per Unit for gross proceeds of \$5,500,000, and a private placement of 1,000,000 Units at a price of \$0.50 per Unit for gross proceeds of \$500,000. Each Unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company on or before 22 April 2004 for a price of \$0.75. A fee was paid by the Company to Haywood Securities Inc. of \$450,000 (7.5% of the gross proceeds of the financing), plus 1,320,000 brokers warrants, each of which entitles the holder to purchase one common share of the Company on or before 22 April 2004 for a price of \$0.50.

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Notes to Interim Consolidated Financial Statements

30 June 2003

U.S. Funds

c) As at 30 June 2003, the following share purchase options were outstanding:

	Number	Price per Share	Expiry Date
Options	220,000	\$0.20 CDN	11 April 2005
	100,000	\$0.66 CDN	26 April 2005
	40,000	\$0.66 CDN	14 March 2006
	2,170,000	\$0.50 US	22 April 2008
	300,000	\$0.50 US	5 June 2008
	40,000	\$0.50 US	10 June 2008
	<u>2,870,000</u>		

d) As at 30 June 2003, the following share purchase warrants were outstanding:

	Number	Price per Share	Expiry Date
Warrants	6,000,000	\$0.75 US	22 April 2004
	1,221,000	\$0.50 US	22 April 2004
	1,221,000	\$0.75 US	22 April 2004
	1,320,000	\$0.50 US	22 April 2004
	<u>9,762,000</u>		

9. Stock Based Compensation

On 22 April 2003, the Company granted options to purchase up to 15,000 shares of the Company's stock to a consultant of the Company at an exercise price of \$0.50 per share, with an estimated value of \$6,150 on the grant date. Of the total options granted, 3,750 vested during the current quarter, with additional 25% of the total vesting every four months

On 22 April 2003, the Company granted options to purchase up to 2,155,000 shares of the Company's stock to directors, officers and employees of the Company at an exercise price of \$0.50 per share, with an estimated value of \$883,550 on the grant date. Of the total options granted, 538,750 vested during the current quarter, with additional 25% of the total vesting every four months.

On 5 June and 10 June 2003, the Company granted options to purchase up to 340,000 shares of the Company's stock to directors, officers and employees of the Company at an exercise price of \$0.50 per share, with an estimated value of \$170,000 on the grant date. Of the total options granted, 85,000 vested during the current quarter, with additional 25% of the total vesting every six months

The pro-forma impact on net loss and loss per shares of options issued during the nine months ended 30 June 2003 is as follows:

Net Loss:	
As Reported	\$ 782,319
Pro Forma	\$ 1,045,707

Net Loss Per Share:	
As Reported	\$ 0.06
Pro Forma	\$ 0.08

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Notes to Interim Consolidated Financial Statements

30 June 2003

U.S. Funds

The fair value of each option grant is estimated on that date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Options Issued on 22 April 2003	Options Issued on 5 and 10 June 2003
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	113 %	125 %
Risk-free interest rate	4.30 %	3.58 %
Expected life of options	5 years	5 years

The weighted average grant -date fair value of the options granted in April and June was \$ 0.41 and \$ 0.50 respectively.

10. Related party transactions and balances

The following represents related party transactions paid or accrued during the six months ended 30 June:

	Six Months Ended 30 June 2003	Six Months Ended 30 June 2002
Management fees to the president of the Company	\$ 63,000	\$ 63,000
Management fees paid to an officer of the Company	\$ 61,800	\$ 61,800
Management fees paid to an officer of the Company	\$ 7,500	\$ -
Salary paid to an officer of the Company	\$ 17,500	\$ -
	<u>\$ 159,800</u>	<u>\$ 124,800</u>

11. Income Taxes

The Company has incurred non-capital losses for tax purposes of approximately \$138,000 which may be carried forward and used to reduce taxable income. These losses expire as follows:

2006	\$ 28,000
2007	9,000
2008	101,000
	<u>\$ 138,000</u>

The potential future tax benefits of these losses have not been recognized in the accounts of the Company.

12. Segmented Information

The Company has one operating segment, which is mineral exploration. All of the Company's exploration expenses as disclosed on Statement 4 are incurred in South America. All of the Company's assets and other expenses are in Canada, except for \$64,721 of capital assets, which are located in Peru.

Bear Creek Mining Corporation

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Notes to Interim Consolidated Financial Statements

30 June 2003

U.S. Funds

13. Subsequent Event

Subsequent to 30 June 2003, Bear Creek entered into an agreement with AngloGold Exploracion Peru S.A.C., whereby Bear Creek, at its option, can earn at least a 60% interest in the Ninobamba property located in Peru. In order to earn the 60% interest, the Company, at its option, must complete 1,000 meters of drilling by March 2004 and make exploration expenditures of \$2.5 million within three years.

SCHEDULE B

1. **ANALYSIS OF EXPENSES AND DEFERRED COSTS**

See interim consolidated financial statements for details.

2. **RELATED PARTY TRANSACTIONS**

See interim consolidated financial statements for details.

3. **SUMMARY OF SECURITIES ISSUED AND OPTIONS GRANTED DURING THE PERIOD ENDED 30 JUNE 2003**

a) Securities issued:

See interim consolidated financial statements for details.

b) Options granted:

<u>Date Granted</u>	<u>Number</u>	<u>Optionee</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
22 April 2003	300,000	Andrew Swarthout – Director	US \$ 0.50	22 April 2008
22 April 2003	250,000	David Lowell – Director	US \$ 0.50	22 April 2008
22 April 2003	250,000	Catherine McLeod-Seltzer - Director	US \$ 0.50	22 April 2008
22 April 2003	150,000	David De Witt – Director	US \$ 0.50	22 April 2008
22 April 2003	150,000	Kevin Morano – Director	US \$ 0.50	22 April 2008
22 April 2003	150,000	Anthony Petrina – Director	US \$ 0.50	22 April 2008
22 April 2003	250,000	Gerald Van Voorhis – Director	US \$ 0.50	22 April 2008
22 April 2003	250,000	David Volkert – Officer	US \$ 0.50	22 April 2008
22 April 2003	150,000	Rosalie Moore – Officer	US \$ 0.50	22 April 2008
22 April 2003	15,000	Steven Krause – Consultant	US \$ 0.50	22 April 2008
22 April 2003	255,000	Employees	US \$ 0.50	22 April 2008
5 June 2003	150,000	Miguel Grau – Director	US \$ 0.50	5 June 2008
5 June 2003	100,000	Corey Dean – Officer	US \$ 0.50	5 June 2008
5 June 2003	50,000	Steven Krause – Officer	US \$ 0.50	5 June 2008
10 June 2003	40,000	Employee	US \$ 0.50	10 June 2008

4. **SUMMARY OF SECURITIES AS AT 30 JUNE 2003**

a) Authorized share capital:

See consolidated financial statements for details.

b) Shares issued and outstanding:

See consolidated financial statements for details.

c) Options, warrants and convertible securities outstanding:

See consolidated financial statements for details.

d) Shares subject to escrow or pooling agreements.

3,000,000 escrow shares. See consolidated financial statements for details.

5. NAMES OF DIRECTORS AND OFFICERS AS AT THE DATE THIS REPORT IS SIGNED AND FILED

J. David Lowell – Director
Catherine McLeod-Seltzer – Director
Andrew Swarthout, Director, President and Chief Executive Officer
David De Witt – Director and Secretary
Kevin Morano – Director
Anthony Petrina - Director
Gerald Van Voorhis - Director
Miguel Grau – Director
David Volkert – Officer
Corey Dean - Officer
Rosalie Moore – Officer
Steven Krause – Officer

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis of the results of operations and financial position of Bear Creek Mining Corporation should be read in conjunction with the unaudited interim consolidated financial statements for the periods ended 30 June 2003.

Description of Business

Bear Creek Mining Corporation is a mineral resource exploration company with a focus on precious metal projects in Peru, a country that hosts some of the largest and most profitable precious metal deposits and therefore a favoured country for exploration. Bear Creek has interests in several properties including three projects in which it can earn a 100 percent interest and, with partners, three joint ventured projects in Peru. Exploratory drilling has begun and is expected to continue evaluating several of these projects in the coming months. Bear Creek's corporate head office is in Vancouver, B.C., Canada and its operations office is in Lima, Peru.

Risks and Uncertainties

The Company is dependent upon the continued availability and commitment of its key management whose contributions to immediate and future operations of the Company are of central importance.

Exploration for minerals is a speculative venture involving substantial risk. There is no certainty that the expenditures made by the Company will result in discoveries of commercial quantities of gold or other metal reserves. Mining operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations and other conditions are involved. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Company's financial position.

Mining and development risk always accompany anticipated rewards, and uncertainties always exist where mineral properties are concerned. Uncertainties include the size, grade and recovery of a natural occurring mineral deposit. Although exploration and development efforts can outline a mineral deposit with a degree of certainty, ultimate grade and tonnages are never fully known until mining has been completed. Gold and metal prices are also a significant factor in the development decision for a mineral property, as a mine may not be economically feasible in a period of depressed prices.

The Company depends on equity capital to fund its acquisition and exploration programs. The Company may seek joint venture partners and equity financing to meet its future obligations. The Company has no source of operating cash flow and no assurances that sufficient funding will be available to it for further exploration and development of its projects or to fulfil its obligations under any applicable agreements. There can be no assurances that the Company will be able to obtain adequate financing in the future and that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

Activities on Mineral Projects

Estrella Project

During the quarter, drilling was initiated on the Estrella project, located 30 kilometers northeast of the city of Huancavelica in west central Peru. Bear Creek has the option to earn a 100 percent interest in the project by incrementally spending US\$1 million over a 4-year period on exploration and by paying escalating cash payments totalling US\$3 million to the landowners. Drilling at the Estrella project was designed to probe at depth an altered and mineralized sequence of Tertiary volcanic pyroclastic rocks, mapped and sampled on surface over an area of 500 by 1,500 meters by Bear Creek's geological team, with the goal of discovering a bulk mineable deposit. Significant assays from the first phase of drilling are tabulated below:

PHASE 1 SUMMARY

Hole #	Interval (m)	Thickness (m)	Gold (gpt)	Silver (gpt)
DDH E-1*	0.5 – 150.0 (TD)	149.5	0.36	4.4
Includes	20.0 – 24.0	4.0	1.06	15.5
	28.0 – 35.0	7.0	1.49	7.5
	92.0 – 93.5	1.5	1.96	18.5
	118.5 – 121.0	2.5	1.23	3.4
DDH E-2	2.0 – 170.0 (TD)	168.0	0.33	4.20
Includes	8.0 – 16.5	8.5	2.40	5.9
	28.0 – 33.0	5.0	2.56	14.7
	68.0 – 69.0	1.0	1.16	5.3
DDH E-3	3.0 – 162.3 (TD)+	159.3	0.30	40.6
Includes	36.0 – 39.0	3.0	1.07	147.6
	48.5 – 50.0	1.5	1.00	75.1
	77.0 – 84.0	7.0	0.68	77.4
	151.5 – 153.0	1.5	1.10	49.3
DDH E-4	0 – 150.1 (TD)	150.1	0.19	6.7
Includes	13.5 – 14.5	1.0	1.09	4.0
	46.5 – 48.0	1.5	1.71	3.7
	66.5 – 67.5	1.0	1.74	31.5
	84.5 – 85.5	1.0	3.69	26.5
	119.0 – 120.0	1.0	1.35	4.5
DDH E-5	0 – 176.0 (TD)			
	0 – 115.0 *	115.0	0.18	2.6
Includes	99.0 – 101.0	2.0	1.03	4.0
	104.5 – 106.5	2.0	1.04	3.0
	124.0 – 128.0	4.0	0.06	167.3
DDH E-6	0 – 150.5 (TD)	150.5	No Significant Assays	
DDH E-7	3.0 – 150.0 (TD)	147.0	Nil	25.0
Includes	22.5 – 24.0	1.5	Nil	52.0
	33.0 – 38.5	5.5	Nil	168.4
	42.5 – 45.5	3.0	Nil	55.4
	88.5 – 108.0	19.5	Nil	56.0
	121.0 – 125.5	4.5	Nil	47.6

* this hole was twinned and the entire core assayed to ensure that sampling accurately represented mineralization

+ the final sample of hole DDH E-3 (161.5 – 162.3 m) assayed 0.81 gpt Au and 26.5 gpt Ag

Subsequent to the end of the period, the second phase of drilling was completed and significant assays are summarized below:

PHASE 2 SUMMARY

Hole #	Interval (m)	Thickness (m)	Gold (gpt)	Silver (gpt)
DDH E-8	0.0 – 184.5	184.5	0.08	4.7
Includes	6.5 – 8.5	2.0	Nil	58.4
	36.0 – 38.5	2.5	0.49	48.0

Hole #	Interval (m)	Thickness (m)	Gold (gpt)	Silver (gpt)
DDH E9	0 – 182.0	182.0	0.18	5.4
Includes	164.0 – 165.0	1.0	3.42	3.3
DDH E-10	5.3 – 169.5	164.2	0.32	18.0
Includes	5.3 – 14.0	8.7	0.96	3.3
	52.5 – 53.5	1.0	1.31	30.9
	56.5 – 57.5	1.0	1.34	18.5
	60.5 – 61.5	1.0	1.01	14.4
	85.0 – 104.0	19.0	0.41	70.5
	127.0 – 129.5	2.5	0.23	103.6
DDH E-11	4.0 – 138.1 (TD)	134.1	Nil	8.2
Includes	26.0 – 28.5	2.5	Nil	51.7
	112.5 – 114.0	1.5	Nil	30.1

All but one drill hole (DDH E-6) in the first two phases of drilling intersected high background levels of gold and/or silver mineralization, with narrow high-grade intercepts, however the grades were persistently at the lower boundary of economic cut-off. Since the program did not meet the immediate objective of defining an economic resource, Bear Creek suspended the drilling. Various scenarios are being considered to allow Bear Creek to recover its investment yet retain an interest in the Estrella project.

The exploration program involved drilling a total of 1,970.5 meters in 12 holes, geological interpretation and supervision, travel to and from the site, and assaying of drill samples, most of which occurred during the second quarter of 2003. Costs for the Estrella project for the period totalled \$179,556 and consisted primarily of \$105,133 in drilling, \$25,433 in general expenses, and \$24,699 in salaries. Further costs pertaining to the exploration program, predominantly for assays, remain to be billed.

Santa Rosa Project

The Santa Rosa project, located in the department of Arequipa approximately 60 kilometers inland from the town of Ocoña, contains gold hosted in quartz veins on surface. Work during the period on the Santa Rosa project consisted of construction of access to the remote property in order to mobilize a drill rig to the site. Bear Creek has the option to earn a 100 percent interest in the project by paying escalating cash payments to the landowner totalling \$900,000 over a 3-year period.

Costs for the Santa Rosa project during the second quarter of 2003 totalled \$26,186 and consisted primarily of \$18,710 in land payment and claim fees. Costs for this project are expected to escalate during the third quarter due to the beginning of drill exploration and associated activities.

Subsequent to the end of the second quarter Bear Creek announced the arrival of the drill rig on site and the anticipated start of drilling.

Lomo de Camello Project

The Lomo de Camello project is located in the department of Ica, approximately 350 kilometers southeast of Lima, and contains gold hosted in quartz veins. The property consists of two adjoining claim blocks, each owned by a different group of landowners, the Paraiso claims, which contain the southern portion of the vein, and the Yuri claims, which contain the northern portion. Bear Creek has the option to earn a 100 percent interest in the Paraiso claims by making escalating cash payments to the landowners totalling US\$610,000 over a 2-year period, but the Company is still working to advance a letter of intent to purchase the Yuri claims into an executed option to purchase agreement with Yuri's landowners, who are embroiled in several legal disputes. Other than efforts at securing the option agreement covering the Yuri claims, Bear Creek performed no other work on either claim block of the project during the second quarter, or subsequently.

Costs for the Lomo de Camello project for the second quarter of 2003 consisted entirely of land payment and claim fees and totalled \$29,786.

La Pampa Project

The La Pampa project is located in the department of Lambayeque, 65 kilometers northeast of the northern coastal city of Chiclayo. The La Pampa project contains potential to host both bulk tonnage and vein gold deposits, as defined by work performed by the current landowner, a wholly owned subsidiary of Solitario Resources Corporation. Bear Creek has the option to acquire at least a 51 percent interest in La Pampa from Solitario by spending a total of \$4.5 million in exploration over a 5-year period. The due date for the first \$100,000 work commitment was adjusted to April 28, 2004 to mark the one-year anniversary of acquiring surface rights. A total of \$8,259 was spent on the La Pampa project in the second quarter of 2003 and consisted almost entirely of \$7,444 to secure surface access and claim fees.

Ataspaca Project

Ataspaca is located in the department of Tacna in Southern Peru and contains an intrusive rock package similar to that seen at Southern Peru Copper Corp.'s Toquepala and Cuajone mines, approximately 100 kilometers to the north. Bear Creek has the option to acquire at least a 50 percent interest in Ataspaca from a subsidiary of Southwestern Resources Corp., the current holder of the project, by spending \$50,000 by November 29, 2003 (extended from May 29, 2003). Bear Creek did not perform any work on the Ataspaca project during the second quarter of 2003.

Los Osos

Bear Creek controls 100 percent of mineral claims called Los Osos totaling 7,906 hectares in the Tintaya-Los Chancas copper belt in south central Peru. The majority of this land position partially surrounds Southern Peru Copper Corporation's Los Chancas deposit, which contains 200 million tons grading 0.9% copper and 0.06% molybdenum. Bear Creek maintains the Los Osos claims principally for their strategic value in this highly prospective mineral belt. No work was performed during the second quarter of 2003 and costs incurred were \$11,060 of which \$10,854 was for annual claim payments.

Aurora

Bear Creek drilled the Aurora project, located 100 kilometers north of Cusco, in 2001 under an option agreement. Results indicated that the porphyry system had potential for several hundred million tons; however, the grades were sub-economic (0.5% copper and 0.05% molybdenum) and the option was terminated. Bear Creek still controls 100 percent of mineral claims totalling 300 hectares in the adjacent area over mafic intrusives containing anomalous copper, gold, nickel, and platinum group metals. Expenditures during the second quarter of 2003 totalled \$351 for annual claim payments.

Pechereque

Bear Creek dropped the Pechereque project in 2002.

Los Cristales

Bear Creek dropped its interest in Los Cristales in 2001.

Generative Exploration

Generative exploration consists of geological salaries, submittal evaluations, regional reconnaissance, grass roots fieldwork, travel to and from field locations, and other related exploration costs not specific to a particular Bear Creek project. Bear Creek maintains at least one field team and a system of field prospectors focusing on generating new exploration targets with the emphasis on gold. Typically, dozens of prospects are submitted to or generated by Bear Creek during any given quarter. Presently four targets are being considered for possible acquisition through staking or entering into third party option to purchase agreements. As these projects enter more advanced stages, they are accounted for as separate projects. Generative exploration costs totalled \$128,785 for the second quarter of 2003.

Results of Operations For The Six Months Ended 30 June 2003

Net Loss and Operating Expenses

For the six months ended 30 June 2003, the Company experienced a net loss of \$782,319 compared to a net loss of \$519,843 for the comparative period in 2002, an increase of \$262,476. Loss per share for the six months ended 30 June 2003 was \$0.06 (2002 – loss per share \$0.13).

Exploration expenses

Exploration expenses increased from \$417,893 to \$776,756 during the current period. This increase was due to the increased spending on the Estrella, Santa Rosa and Lomo Camello properties. The Company conducted drilling on the Estrella property with costs of \$105,133 of drilling. On the Santa Rosa and Lomo Camello properties, the Company spent \$113,423 and \$145,022 respectively on acquisition and claim fees regarding these properties. In addition, the Company spent \$250,292 compared to \$224,481 in generative exploration expenses. Generative exploration activities are the salary for the Company's exploration management and expenses incurred in the search for various properties.

Operating expenses

During the current period, wages and management salary, shareholder information expense, transfer agent fees and listing and filing fees all increased as the Company completed its reverse takeover acquisition of Bear Creek Mining Company on 22 April 2003. During the month of April, the company hired two employees at the company's administrative office and resumed trading on the TSX Venture Exchange. Travel expense increased from \$3,005 to \$18,564 during the current period due to travel costs incurred between the company's resource properties in Peru and the head office in Vancouver. The foreign exchange gain resulted from the acquisition of Bear Creek Mining Company and Peru Ex on 22 April 2003 and the strengthening of the Canadian dollar between 22 April 2003 and 30 June 2003.

Subsequent Events

See Note 13 of the Financial Statements.

Liquidity and Capital Resources

As at 30 June 2003, the Company had 27,128,457 issued shares. The Company's net working capital as at 30 June 2003 was \$4,492,545 compared to a deficiency of \$164,199 as at 31 December 2002. The cash balance at the quarter ended was \$4,486,667 compared to \$44,029 as at 31 December 2002. As at 30 June 2003 current liabilities were \$8,664 compared to \$213,776 as at 31 December 2002.

As at the quarter ended 30 June 2003, the Company had options outstanding granted to directors, officers and employees to purchase an aggregate of 2,870,000 shares at prices ranging from \$0.20 CDN to \$0.50 US and expiring at varying dates between 11 April 2005 and 8 June 2008. If exercised, total proceeds from the exercise of these options would be approximately \$1,350,000.

As at the quarter ended 30 June 2003, the Company had 9,762,000 warrants outstanding. If exercised, total proceeds from the exercise of these warrants would be approximately \$6,685,000.

Investing Activity

During the six months ended 30 June 2003, the Company purchased office equipment for its office in Vancouver and purchased various exploration equipment for use in its exploration activities in Peru. Total value of capital assets purchased in the six months ended 30 June 2003 was \$45,776.

Financing Activity

The Company completed its prospectus, private placement and acquisition of Bear Creek Mining Company during the current quarter. Total proceeds from the issuance of shares for cash was \$5,460,091. In addition, the Company retired its notes payable of \$1,208,811 by issuing 2,442,000 Units.

Cash on hand is sufficient to meet the Company's overhead costs for the immediate future.