

**BEAR CREEK MINING CORPORATION**

**(Formerly EVEolution Ventures Inc.)**

**(An Exploration Stage Company)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2004**

**EXPRESSED IN U.S. FUNDS**

**Unaudited**

**Bear Creek Mining Corporation**  
*(An Exploration Stage Company)*  
**Interim Consolidated Balance Sheet**  
*U.S. Funds*  
*Unaudited*

Statement 1

<b>ASSETS</b>		<b>As at 30 September 2004</b>	<b>As At 31 December 2003</b>
<b>Current</b>	Cash and cash equivalents	<b>\$ 1,440,555</b>	\$ 2,865,741
	Accounts receivable	<b>32,357</b>	21,125
	Prepaid expenses and deposits	<b>2,833</b>	8,074
		<b>1,475,745</b>	2,894,940
	<b>Property, Plant and Equipment</b> <i>(Note 4)</i>	<b>54,163</b>	68,236
		<b>\$ 1,529,908</b>	\$ 2,963,176

**LIABILITIES**

<b>Current</b>	Accounts payable and accrued liabilities	<b>\$ 23,802</b>	\$ 40,705
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**SHAREHOLDERS' EQUITY**

<b>Share Capital</b>	Authorized: Unlimited common shares without par value		
	Issued and fully paid: 27,129,657 (2003 - 27,128,457) common shares	<b>9,228,647</b>	9,147,300
	<b>Deficit - Statement 2</b>	<b>(7,722,541)</b>	(6,224,829)
		<b>1,506,106</b>	2,922,471
		<b>\$ 1,529,908</b>	\$ 2,963,176

ON BEHALF OF THE BOARD:

"Catherine McLeod-Seltzer" \_\_\_\_\_, Director

"Andrew Swarhout" \_\_\_\_\_, Director

**Bear Creek Mining Corporation**  
*(An Exploration Stage Company)*  
**Interim Consolidated Statement of Operations and Deficit**  
U.S. Funds  
Unaudited

Statement 2

	<b>For The Three Months Ended 30 September 2004</b>	For The Three Months Ended 30 September 2003	<b>For the Nine Months Ended 30 September 2004</b>	For The Nine Months Ended 30 September 2003
<b>Operating Expenses</b>				
Exploration costs - schedule	\$ 289,552	\$ 830,923	\$ 1,118,330	\$ 1,607,679
Wages and management salary	45,066	54,759	136,321	115,761
Professional fees	11,948	27,918	64,284	42,311
Office, secretarial and bookkeeping	9,354	15,320	25,486	54,871
Shareholder information	3,511	12,750	37,603	24,514
Travel	3,138	7,451	12,677	26,015
Amortization	382	1,278	1,127	2,665
	<u>362,951</u>	<u>950,399</u>	<u>1,395,828</u>	<u>1,873,816</u>
<b>Other Items</b>				
Foreign exchange (gain) loss	26,572	8,937	29,014	17,042
Interest and bank charges - net	(1,985)	(13,700)	(7,877)	(13,438)
Stock compensation expense	67,550	1,538	231,750	3,076
	<u>92,137</u>	<u>(3,225)</u>	<u>252,887</u>	<u>6,680</u>
<b>Loss for the Period</b>	<b>(455,088)</b>	<b>(947,174)</b>	<b>(1,648,715)</b>	<b>(1,880,496)</b>
Deficit - Beginning	<u>(7,267,453)</u>	<u>(3,473,974)</u>	<u>(6,073,826)</u>	<u>(2,691,655)</u>
<b>Deficit - End of Period</b>	<b>\$ (7,722,541)</b>	<b>\$ (4,421,148)</b>	<b>\$ (7,722,541)</b>	<b>\$ (4,572,151)</b>
<b>Loss per Share - Basic and Diluted</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>	<b>\$ (0.06)</b>	<b>\$ (0.10)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>27,129,657</b>	<b>27,128,457</b>	<b>27,129,486</b>	<b>18,481,095</b>

See Accompanying Notes

**Bear Creek Mining Corporation**  
*(An Exploration Stage Company)*  
**Interim Consolidated Statement of Cash Flow**  
**For The Nine Months Ended 30 September**

Statement 3

U.S. Funds  
Unaudited

	<b>For The Three Months Ended 30 September 2004</b>	<b>For The Three Months Ended 30 September 2003</b>	<b>For The Nine Months Ended 30 September 2004</b>	<b>For the Nine Months Ended 30 September 2003</b>
<b>Operating Activities</b>				
Loss for the period	\$ (455,088)	\$ (947,174)	\$ (1,648,715)	\$ (1,880,496)
Items not affecting cash:				
Stock compensation	67,550	1,538	231,750	3,076
Amortization included in exploration costs	4,310	2,016	12,946	7,063
Amortization	382	1,278	1,127	2,665
	<u>(382,846)</u>	<u>(942,342)</u>	<u>(1,402,892)</u>	<u>(1,867,692)</u>
Changes in:				
- Accounts receivable	1,032	(2,003)	(11,232)	(16,546)
- Prepaid expenses	(2,833)	-	5,241	3,887
- Accounts payable	(104,569)	(672)	(16,903)	(518,489)
- Due to related parties	-	-	-	(64,589)
Cash used in operating activities	<u>(489,216)</u>	<u>(945,017)</u>	<u>(1,425,786)</u>	<u>(2,463,429)</u>
<b>Investing Activities</b>				
Purchase of property plant and equipment	-	(1,949)	-	(47,725)
Cash used in investing activities	<u>-</u>	<u>(1,949)</u>	<u>-</u>	<u>(47,725)</u>
<b>Financing Activities</b>				
Share capital issued	-	-	600	5,460,091
Notes payable	-	-	-	545,074
Cash received from financing activities	<u>-</u>	<u>-</u>	<u>600</u>	<u>6,005,165</u>
<b>Net Increase (Decrease) in Cash Position</b>				
Cash position - Beginning of period	<u>(489,216)</u>	<u>(946,966)</u>	<u>(1,425,186)</u>	<u>3,494,011</u>
	<u>1,929,771</u>	<u>4,486,667</u>	<u>2,865,741</u>	<u>45,690</u>
<b>Cash Position - End of Period</b>	<b>\$ 1,440,555</b>	<b>\$ 3,539,701</b>	<b>\$ 1,440,555</b>	<b>\$ 3,539,701</b>

**Supplemental Schedule of Non-Cash Transactions:**

Shares issued on settlement of notes payable	-	-	-	\$ 1,208,811
Shares issued on acquisition of BCMC	-	-	-	\$ (386,105)

See Accompanying Notes

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

Schedule

U.S. Funds  
 Unaudited

	For The Three Months Ended 30 September 2004	For The Three Months Ended 30 September 2003	For the Nine Months Ended 30 September 2004	For the Nine Months Ended 30 September 2003
Generative exploration				
Salary	\$ 121,376	\$ 166,101	\$ 368,734	\$ 286,269
Travel	33,863	18,930	112,412	58,795
Acquisition/claims fees	50,693	5,128	81,094	7,310
Supplies and general	39,533	15,552	124,717	82,027
Assays	11,190	3,751	31,051	25,353
	<u>256,655</u>	<u>209,462</u>	<u>718,008</u>	<u>459,754</u>
Ataspaca				
Drilling (Recovery)	(9,668)	-	86,342	-
Salary	578	-	11,362	-
Supplies and general	5,174	-	15,081	-
Travel	390	-	7,637	-
Assays (Recovery)	(2,574)	-	2,664	-
Acquisition/claim fees	1,933	-	2,617	-
	<u>(4,167)</u>	<u>-</u>	<u>125,703</u>	<u>-</u>
La Pampa				
Drilling	-	-	44,294	-
Termination costs	-	-	15,000	-
Supplies and general	-	1,212	12,716	1,285
Salary	-	11,318	10,231	11,341
Travel	-	3,924	6,232	4,643
Legal	-	-	5,000	-
Assays and sampling	-	5,162	4,819	5,162
Acquisition/claim fees	-	-	-	7,444
	<u>-</u>	<u>21,616</u>	<u>98,292</u>	<u>29,875</u>
Niñobamba				
Salary	44	-	4,490	-
Travel	5	-	644	-
Acquisition/claim fees	9,310	-	9,310	1,117
Assays and sampling	16	-	1,794	-
Supplies and general	1,566	1,117	2,113	-
	<u>10,941</u>	<u>1,117</u>	<u>18,351</u>	<u>1,117</u>
Lomo de Camello				
Acquisition/claim fees	184	1,489	21,694	146,511
Salaries	-	-	152	-
	<u>184</u>	<u>1,489</u>	<u>21,846</u>	<u>146,511</u>
Fe y Esperanza				
Salaries	7,654	-	7,654	-
Acquisition/claim fees	-	-	7,705	-
	<u>7,654</u>	<u>-</u>	<u>15,359</u>	<u>-</u>
Pinaya				
Travel	87	-	4,203	-
Supplies and general	-	-	2,822	-
Acquisition/claim fees	3,290	-	36,920	-
Salary	-	-	17,402	-
	<u>3,377</u>	<u>-</u>	<u>61,347</u>	<u>-</u>
Los Osos				
Acquisition/claims fees (Recovery)	(2,847)	10,121	27,032	20,975
General	190	399	1,588	605
	<u>(2,657)</u>	<u>10,520</u>	<u>28,620</u>	<u>21,580</u>
Other properties	17,565	586,719	30,804	948,842
<b>Costs for the Period</b>	<u>\$ 289,552</u>	<u>\$ 830,923</u>	<u>\$ 1,118,330</u>	<u>\$ 1,607,679</u>

See Accompanying Notes

**Bear Creek Mining Corporation**  
(An Exploration Stage Company)

## **Notes to Interim Consolidated Financial Statements**

**30 September 2004**

US Funds

Unaudited

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### **1. Nature of Business**

Bear Creek Mining Corporation's ("the Company" or "Company's") main business is acquiring and exploring mineral properties principally located in Peru with the objective of identifying mineralized deposits economically worthy of subsequent development, mining or sale.

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### **2. Significant Accounting Policies**

These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements as at 31 December 2003.

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### **3. Fair Value of Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, 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.

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### **4. Property, Plant and Equipment**

Details are as follows:

	Cost	Accumulated Amortization	<b>2004 Net Book Value</b>	2003 Net Book Value
Office equipment	\$ 11,803	\$ 4,029	\$ <b>7,774</b>	\$ 9,235
Exploration equipment	95,595	49,206	<b>46,389</b>	59,001
	<b>\$ 107,398</b>	<b>\$ 53,235</b>	<b>\$ 54,163</b>	<b>\$ 68,236</b>

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### **5. Resource Property Costs**

- 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 Company has earned an undivided 50% interest in the project by spending \$50,000 in exploration by 30 June 2004. Thereafter, pending further results, the term sheet provides that the parties may enter into a formal agreement.
- On 30 July 2003, the Company entered into an agreement with AngloGold Exploracion Peru S.A.C. entitling Bear Creek to earn a majority interest in the Niñobamba Property located in Peru. In order to earn a 60% interest, the Company completed 1,000 meters of drilling and must make exploration expenditures of \$2.5 million by 30 July 2006. The property is subject to net smelter return royalties of 4% on gold and 2% on silver.

**Bear Creek Mining Corporation***(An Exploration Stage Company)***Notes to Interim Consolidated Financial Statements****30 September 2004***US Funds**Unaudited***5. Resource Property Costs - Continued**

- c) The Company holds a 100% interest in 13,200 hectares of mineral claims (called the Los Osos claims) surrounding Southern Peru Copper Corporation's Los Chancas deposit in the Chancas-Tintaya porphyry copper and skarn belt.
- d) The Company entered into property purchase option agreements for properties known as Santa Rosa, Lomo de Camello, Estrella and La Pampa, all located in Peru. During the prior year and in the current period, management of the Company elected to terminate its options to acquire Santa Rosa, Lomo de Camello and La Pampa. Subsequent to 30 September 2004, management of the Company terminated its Estrella option.
- f) On 10 February 2004, the Company entered into an agreement to acquire the right to earn a 100% interest in a mineral property in Peru known as Cia Minera Pinaya SA. In order to acquire the 100% interest, the Company, at its option, must make payments of \$150,000 over a 13 month period as follows:

On or before 10 February 2004 – paid	\$	5,000
On or before 4 March 2004 – paid		15,000
On or before 5 November 2004		30,000
On or before 5 May 2005		100,000
	\$	<u>150,000</u>

Subsequent to 30 September 2004, the Company terminated the agreement.

- g) On 13 February 2004, the Company entered into an agreement to acquire the right to earn a 100% interest in a mineral property in Peru known as Fe y Esperanza ("Pama"). In order to acquire the 100% interest, the Company, at its option, must make payments of \$165,000 over a four year period as follows:

On or before 13 February 2004 – paid	\$	5,000
On or before 13 February 2005		10,000
On or before 13 February 2006		50,000
On or before 13 February 2007		100,000
	\$	<u>165,000</u>

**6. Share Capital**

- a) **Details of share capital are as follows:**

	Shares	Amount
Authorized:		
Unlimited common shares without par value		
Issued and fully paid:		
Balance - 31 December 2003	27,128,457	\$ 8,996,297
Exercise of share purchase warrants	1,200	600
Stock compensation	-	231,750
Balance – 30 September 2004	<u>27,129,657</u>	<u>\$ 9,228,647</u>

**Bear Creek Mining Corporation**  
(An Exploration Stage Company)

**Notes to Interim Consolidated Financial Statements**

**30 September 2004**

US Funds

Unaudited

**6. Share Capital - Continued**

**b) Share Purchase Options**

A summary of the Company's options as at 30 September 2004 is as follows:

	Number	Price per Share	Expiry Date
Options	220,000	CDN\$0.20	11 April 2005
	100,000	CDN\$0.66	26 April 2005
	40,000	CDN\$0.66	14 March 2006
	2,105,000	US\$0.50	22 April 2008
	300,000	US\$0.50	5 June 2008
	40,000	US\$0.50	10 June 2008
	75,000	US\$0.50	2 July 2009
	<b>2,880,000</b>		

**c) Warrants**

As at 30 September 2004, the following share purchase warrants were outstanding:

	Number	Price per Share	Expiry Date
Series "A"	1,221,000	US\$0.50	21 April 2005
Series "B"	1,221,000	US\$0.75	21 April 2005
Series "C"	6,000,000	US\$0.75	21 April 2005
	<b>8,442,000</b>		

**d) Escrow Shares**

As at 30 September 2004, 4,575,020 shares are held in escrow and will be released upon a predetermined time schedule.

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**7. Stock Based Compensation**

Effective 1 January 2003, the Company adopted the recommendations of CICA Handbook Section 3870, Stock-based Compensation. The new standard requires that stock-based awards made to employees and non-employees be measured and recognized using a fair value based method.

On 22 April 2003, the Company granted directors, officers, employees and consultants of the Company options to purchase up to 2,170,000 common shares of the Company at an exercise price of \$0.50 per share, with an estimated value of \$885,000 on the grant date. Since the options were granted under a graded vesting schedule, \$885,000 of the fair value has been recorded in the Company accounts. The offsetting entry is to share capital.

**Bear Creek Mining Corporation**  
(An Exploration Stage Company)

**Notes to Interim Consolidated Financial Statements**

**30 September 2004**

US Funds

Unaudited

**7. Stock Based Compensation - Continued**

On 5 June and 10 June 2003, the Company granted directors, officers and employees of the Company options to purchase up to 340,000 common shares of the Company at an exercise price of \$0.50 per share, with an estimated value of \$145,000 on the grant date. Since the options were granted under a graded vesting schedule, \$145,000 of the fair value has been recorded in the Company accounts. The offsetting entry is to share capital.

On 2 July 2004, the Company granted an employee of the Company options to purchase up to 75,000 common shares of the Company at an exercise price of \$0.50 per share, with an estimated value of \$18,000 on the grant date. Since the options were granted under a graded vesting schedule, \$6,750 of the fair value has been recorded in the Company accounts. The offsetting entry is to share capital.

The fair value of the options granted on 2 July 2004 is estimated on its date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Options Issued on 2 July 2004
Expected dividend yield	0.00%
Expected stock price volatility	125 %
Risk-free interest rate	4.07 %
Expected life of options	5 years

The weighted average grant-date fair value of the options granted in July 2004 was \$ 0.24.

Option pricing models require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

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**8. Related Party Transactions and Balances**

The following represents the details of related party transactions paid or accrued during the nine months ended 30 September 2004 and 2003:

	2004	2003
Management fees paid to the president of the Company	\$ 112,500	\$ 112,500
Management fees paid to an officer of the Company	92,700	92,700
Salary paid to an officer of the Company	50,940	35,000
Legal fees paid to a firm in which a director is a partner	40,257	-
Accounting fees paid to an officer of the Company	16,980	9,125
Legal fees paid to a firm in which an officer is a partner	8,106	-
Rent paid to a company with a certain director and an officer in common	13,026	-
	<b>\$ 334,509</b>	<b>\$ 249,325</b>

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**Bear Creek Mining Corporation**  
(An Exploration Stage Company)

## **Notes to Interim Consolidated Financial Statements**

**30 September 2004**

*US Funds*

*Unaudited*

### **9. Segmented Information**

The Company has one operating segment, which is engaged in mineral exploration. All of the Company's exploration expenses as disclosed on the mineral exploration schedule are incurred in South America. All of the Company's assets and other expenses are in Canada, except for \$46,389 of capital assets, which are located in Peru.

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### **10. Commitments**

- a) By agreement dated 27 September 2003, the Company entered into a consulting agreement with a director and officer of the Company to act as the President and C.E.O. of the Company. Compensation will be \$12,500 per month. This agreement is effective from 22 April 2003 and will continue for a term of three years. The Company may terminate this agreement by providing a severance package depending on the nature of the termination.
  - b) By agreement dated 30 September 2003, the Company entered into a consulting agreement with a director and officer of the Company to act as the Vice President, Explorations of the Company. Compensation will be \$10,300 per month. This agreement is effective from 22 April 2003 and will continue for a term of three years. The Company may terminate this agreement by providing a severance package depending on the nature of termination.
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### **11. Subsequent Events**

- a) On October 26, 2004, Bear Creek entered into a letter agreement with AngloGod Peru to acquire a 60% interest in its Pichacani Norte Project for exploration expenditures totaling \$2.5M over a three year period. The commitment includes expenditures in field work and drilling totalling \$100,000 to be made before June 26, 2005. Upon completion of the \$2.5M expenditure, Bear Creek and AngloGold Peru will enter into a joint venture agreement with standard dilution clauses. If drill indicated resources exceed 2.5M ounces gold equivalent, AngloGold Peru has a one time back in right to acquire a 70% interest by funding a full feasibility study.
  - b) Subsequent to 30 September 2004, the Company agreed to acquire a 100% interest in the Santa Ana project located in the Puno department, Southern Peru. The acquisition will be covered by concessions over 3,600 hectares, the titles of which are currently being processed by the Ministry of Energy and Mines. The claims are subject to payments of \$15,000 upon receipt of title, \$15,000 upon initiation of drilling and 3% of direct exploration expenditure to a maximum lifetime payment of \$250,000.
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**FORM 51-102F1  
INTERIM MANAGEMENT DISCUSSION AND ANALYSIS  
FOR BEAR CREEK MINING CORPORATION**

***Our Management's Discussion and Analysis***

***Introduction***

Bear Creek has continued its efforts to date with a sole business objective to identify, evaluate and explore mineral properties having a high potential for discoveries of mineral deposits with a view towards demonstrating economic potential and selling these properties to a major mining company for the creation of value for shareholders. We remain a publicly traded company without any substantive operations, and thus, have realized no revenues to date.

Our accompanying financial statements have been prepared using accounting principles generally accepted in Canada. Our fiscal year end is December 31<sup>st</sup>. References to a fiscal year refer to the calendar year in which such fiscal year ends. All reported amounts are in United States dollars.

***Forward-Looking Information***

This interim management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Bear Creek Mining Corporation ("Bear Creek" or the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to Bear Creek. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to Bear Creek or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. Such statements reflect the current views of Bear Creek with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Aside from factors identified in the annual MD&A, additional important factors, if any, are identified here.

***Activities on Mineral Projects***

Bear Creek Mining Corporation's main objective is to make mineral deposit discoveries. Current efforts are focused on gold and silver exploration in Peru, although opportunities in adjacent countries and other precious or base metal commodities are also considered, which is compatible with management's history and expertise. A large number of projects are under Bear Creek's review at any given time; a few in active drill evaluation, some being prepared for drilling, others in first pass mapping and sampling after staking or acquisition, and many in preliminary evaluation to decide if property ownership is possible or desired. Due to the generative nature of the Bear Creek's business, most of our expenditures consist of drilling and assay costs, salaries for professional personnel, land, legal and property payments, and travel to, from and within properties. The following section details property specific spending for the second quarter relative to the same period in 2003.

## **Generative Exploration**

Generative exploration consists of costs not specific to a particular Bear Creek project. Bear Creek maintains at least two field teams and a system of field prospectors focusing on generating new exploration targets with the emphasis on gold and silver. Typically, dozens of prospects are submitted to, or generated by Bear Creek during any given quarter. Presently several targets are being considered for possible acquisition through staking or entering into third party option to purchase agreements. When Bear Creek defines a project as a distinct exploration target, it is then accounted for as a separate project. Generative exploration costs totaled \$256,655 for the third quarter of 2004, consisting of \$121,376 in salaries, \$33,863 in travel and field expenses, \$50,693 in mineral rights acquisition costs, \$11,190 in assays, and \$29,533 in supplies. During the third quarter several new land positions totaling 4,500 hectares were acquired as a result of Bear Creek's generative work. The land positions focus on three districts containing potentially economic gold-silver and copper-gold mineralization. During the third quarter of 2004, expenditures on these properties were included in the Company's Generative Exploration expenses. As these projects become the focus of more detailed work, they will be accounted for separately. Generative Exploration spending for the same period in 2003 was \$209,462, consisting of \$166,101 in salaries, \$15,552 for supplies, \$18,930 for travel, \$3,751 for assays and \$5,128 in mineral acquisition costs.

## **Santa Ana Project**

Subsequent to the third quarter 2004, Bear Creek agreed to acquire a 100% interest in the Santa Ana project located in the Puno department, southern Peru. The acquisition will be covered by concessions over 3,600 hectares, the titles of which are currently being processed by the Ministry of Energy and Mines. The claims are subject to payments to a Peruvian individual totaling \$15,000 upon receipt of title, \$15,000 upon initiation of drilling and 3% of direct exploration expenditure to a maximum lifetime payment of \$250,000. Santa Ana is a volcanic-hosted, epithermal silver system where preliminary sampling averages 80 g/t silver, 0.30% lead and 0.23% zinc in a total of 410 surface samples. To date, expenditures have been minimal and have been charged to "Generative Exploration". Beginning in the fourth quarter 2004, expenditures will be accounted for separately. No costs were incurred on the prospect in 2003. Bear Creek intends to perform additional geologic work to define drill targets with a view towards drilling in 2005.

## **Ataspaca Project**

In 2002 Bear Creek signed a letter agreement allowing it to earn a 50 percent interest in the Ataspaca project, located in the southern Peru copper belt. Work in 2003 included mapping, and sampling to prepare the project for its first drill program, that was completed in the second quarter of 2004 with 616.6 meters of core in 4 holes that tested multiple targets. Ataspaca project spending for the third quarter 2004 was \$(4,167). The decrease in costs relate to estimates of drilling and assay costs were less than estimated at the end of June 2004. There was no Ataspaca project spending for the third quarter of 2003. Completion of the drilling earned the Company a 50% property interest from Southwestern Resources. Management believes that the drill results limit the project's potential to host a shallow ore body and Bear Creek plans no immediate further work. Subsequent to the end of the quarter, the Company received \$34,285 from Southwestern Resources for their 50% share of the costs incurred from the joint venture.

### **Niñobamba Project**

In July 2003 Bear Creek entered into an option agreement with AngloGold for the Niñobamba silver project. In late 2003 Bear Creek drilled 1,001 meters of core to infill and extend mineralization intercepted by Anglo. Results of the drilling support further exploration. Project work for the third quarter of 2004 consisted of minimal geologic evaluations \$1,631 and annual claim payments \$9,310 for a total of \$10,941 (as compared with \$1,117 in the third quarter of 2003).

### **Fe y Esperanza Project**

During the quarter ending March 31, 2004, Bear Creek acquired an option to purchase a 100-hectare mineral claim for payments totaling \$165,000 over a four-year period. The Fe y Esperanza mineral rights cover the northern half of a potential disseminated copper- gold deposit currently being explored under a joint venture agreement between BHP Billiton and Chariot Resources. Salaries of \$7,654 were incurred during the 3rd quarter of 2004. No work was performed on Fe y Esperanza during 2003. Work to develop drilling targets will be re-initiated at the appropriate time, pending Chariot/BHP drilling results in the southern half of the target area.

### **Pichacani Norte Project**

On October 26, 2004, Bear Creek entered into a letter agreement with AngloGod Peru to acquire a 60% interest in its Pichacani Norte Project for exploration expenditures totaling \$2.5M over a three year period. The commitment includes expenditures in field work and drilling totaling \$100,000 to be made before June 26, 2005. Upon completion of the \$2.5M expenditure, Bear Creek and AngloGold Peru will enter into a joint venture agreement with standard dilution clauses. If drill indicated resources exceed 2.5M ounces gold equivalent, AngloGold Peru has a one time back in right to acquire a 70% interest by funding a full feasibility study. The property has potential for near- surface gold and silver mineralization, and Bear Creek has begun field work to define drill targets for the first quarter 2005. To date, minimal expenditures leading up to the acquisition have been allocated to Generative Exploration. Beginning in the 4<sup>th</sup> quarter 2004, expenditures will be accounted for separately. No costs were incurred on the project in 2003.

### **Pinaya Project**

In the first quarter 2004, Bear Creek identified a potentially attractive, mineralized gold target in the Pinaya District located northeast of the city of Puno, Peru. Negotiations proceeded with two separate owners of the district, and an agreement was reached with one party controlling a portion of the district covering 400 hectares. Bear Creek later withdrew from negotiations with the owners controlling the remaining part of the district. Expenditures for the quarter ending September 30, 2004 totaled \$3,377 which include \$87 in travel and \$3,290 on costs associated with negotiations. No work was performed on Pinaya during 2003. Field work will continue in the remainder of 2004 to evaluate the land controlled by Bear Creek under the option agreement that allows the company to acquire a 100 percent interest in the property over two years for payments totaling \$150,000.

## **Los Osos Claims**

Bear Creek holds a 100 percent interest in 13,200 hectares of mineral rights distributed throughout southern Peru in various mineral belts. These mineral rights are maintained largely for their strategic location in and around known mineral deposits held by other parties, and are not assigned to any particular project. Further geologic work on these claims is planned for 2004

## **Other Properties**

During 2003, Bear Creek evaluated the Santa Rosa and Estrella projects, on which no spending was incurred to date in 2004, and none will occur in the future. In late 2003, Bear Creek drilled the Santa Rosa high-grade gold vein project. Drilling confirmed the presence of the gold bearing vein at depth, but found it to be much thinner than surface exposures, probably as a result of post mineral shearing. Due to the discouraging results of drilling, Bear Creek dropped the Santa Rosa project in early 2004. During the third quarter of 2003 a total of \$586,719 was spent, the vast majority of which was spent on drilling costs. Results of the drilling, while indicating a pervasive, anomalously mineralized system, did not meet Bear Creek's initial objective. Subsequent to 30 September 2004, management of the Company terminated its Estrella option.

During the third quarter 2004, Bear Creek increased activity on new projects. These are projects which have been, or are in the process of being, acquired; and upon which preliminary exploration is in progress to evaluate their potential for future drilling. If a project is determined to warrant additional exploration, including drilling, it is accounted for separately.

## ***Our Results of Operations***

### ***Summary of Quarterly Results***

The following table sets out selected unaudited quarterly financial information of Bear Creek and is derived from unaudited quarterly consolidated financial statements prepared by management. Bear Creek's interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and expressed in US dollars.

Period	Revenues	Loss from Continued Operations and Net Income (loss)	Basic and Fully Diluted Loss per Share from Continued Operations and Net Income (loss)
2 <sup>nd</sup> Quarter 2004	Nil	(559,297)	(0.02)
1 <sup>st</sup> Quarter 2004	Nil	(634,330)	(0.02)
4 <sup>th</sup> Quarter 2003	Nil	(1,501,675)	(0.06)
3 <sup>rd</sup> Quarter 2003	Nil	(947,174)	(0.03)
2 <sup>nd</sup> Quarter 2003	Nil	(476,406)	(0.02)
1 <sup>st</sup> Quarter 2003	Nil	(456,916)	(0.11)
4 <sup>th</sup> Quarter 2002	Nil	(391,131)	(0.10)
3 <sup>rd</sup> Quarter 2002	Nil	(346,417)	(0.09)

***Three Months Ended 30 September 2004 as compared to the Three Months Ended 30 September 2003***

**Net Loss and Operating Expenses**

For the period, the Company experienced a net loss of \$455,088 compared to a net loss of \$947,174 for the comparative period in 2003, a decrease of \$492,086. The Company had a loss per share of \$0.02 as compared to \$0.03 in the prior period.

Total operating expenses for the period were \$362,951 compared to \$950,399 for the comparative period in 2003, a decrease of \$587,448. Wages and management salary costs decreased in the current period compared to 2003 as the company reduced its amount of employees in 2004 compared to 2003. Professional fees decreased in the three months ended as the Company completed its acquisition of Bear Creek Mining Company in 2003. Office costs have decreased as 2003 comparative period had costs associated with the set up of the new corporate office in Vancouver.

During prior year, we adopted the recommendations of CICA Handbook Section 3870, stock-based compensation and other stock-based payments, effective to all awards granted on or after 1 January 2003. This established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. As encouraged by CICA Handbook Section 3870, the Company has enacted prospectively early adoption of the fair value based method of accounting for awards issued to employees for the fiscal year beginning 1 January 2003. During the prior year, we granted 2,510,000 of share purchase options. The fair market value of these options using the Black Scholes fair market valuation was \$1,030,000. Of this total, \$805,000 of the fair market value has been recognized in the prior year and \$225,000 was recognized during the nine months ended 30 September 2004. In addition the company granted 75,000 options to an employee of the company during the current period. The fair market value of these options using the Black Scholes fair market valuation was \$18,000, of which \$6,750 has been recognized in the current period.

The Company completed its reverse takeover in April 2003. In Bear Creek's June 2003 quarterly financial statements, the Company valued the 8,600,000 common shares issued upon the reverse takeover at \$(537,108) and had a foreign exchange gain of \$142,898 in the statement of operations. At the December 2003 year-end, the Company amended the value of the shares issued on the reverse takeover to \$(386,105), an increase in the value of \$151,003. This increase in value resulted in the Company realizing a foreign exchange loss for the nine months ended 30 September 2003 of \$17,042 instead of a gain of \$133,961.

Bear Creek's net interest income for the three months ended 30 September 2004 was \$1,985, as compared to \$13,700 for the same period ended 30 September 2003. The decrease in interest income was attributable to lower cash balances in accounts due to exploration and administrative costs incurred since the Company's prospectus offering in 2003.

## **Liquidity and Capital Resources**

On 30 September 2004, the Company had 27,129,657 issued shares. The Company's net working capital as at 30 September 2004 was \$1,451,943 compared to a net working capital of \$2,854,235 as at 31 December 2003. The cash balance at 30 September 2004 was \$1,440,555 compared to \$2,865,741 as at 31 December 2003. As at 30 September 2004 current liabilities were \$23,802 compared to \$40,705 as at 31 December 2003.

On 30 September 2004, the Company had options outstanding granted to directors, officers and employees to purchase an aggregate of 2,880,000 shares at prices ranging from CDN\$0.20 to US\$0.50 and expiring at varying dates between 11 April 2005 and 2 July 2009.

On 30 September 2004, the Company had 8,442,000 warrants outstanding. If exercised, total proceeds from the exercise of these warrants would be approximately \$6,025,000.

Cash on hand is sufficient to fund the Company's overhead costs and exploration objectives for the immediate future.

## **Transactions with Related Parties**

Pursuant to an Agreement, the Company is provided with office space from Pacific Rim Mining Corporation ("Pacific Rim"), a company with directors in common, in consideration of a fee, fixed annually and paid monthly. Pacific Rim recovers miscellaneous charges, like postage on the basis of Bear Creek's actual usage. Rent and miscellaneous charges paid to Pacific Rim for the nine months ended 30 September 2004 was \$14,270, and there was no balance owing to Pacific Rim as at 30 September 2004.

## **Changes in Accounting Policy**

The interim consolidated financial statements for the quarter ended 30 June 2004 followed the same accounting policies and methods of application in the most recent annual financial statements.

## **Approval**

The Board of Directors of Bear Creek has approved the disclosure contained in this interim MD&A. A copy of this interim MD&A will be provided to anyone who request it.

## **Additional Information**

Additional information relating to Bear Creek is on SEDAR at [www.sedar.com](http://www.sedar.com)