

BEAR CREEK MINING CORPORATION

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2005

EXPRESSED IN US FUNDS

(unaudited)

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

Statement 1

ASSETS		As at 30 September 2005	As at 31 December 2004
Current	Cash and cash equivalents	\$ 12,747,374	\$ 1,265,552
	Prepaid expenses and advances	112,101	38,660
		<u>12,859,475</u>	<u>1,304,212</u>
	Property, Plant and Equipment (Note 4)	85,428	49,838
		<u>\$ 12,944,903</u>	<u>\$ 1,354,050</u>

LIABILITIES

Current	Accounts payable and accrued liabilities	\$ 145,793	\$ 21,668
----------------	--	------------	-----------

SHAREHOLDERS' EQUITY

Share Capital	Authorized: (Note 6)		
	Unlimited common shares without par value		
	Issued and fully paid:		
	37,198,609 (2004 - 27,279,657) common shares	22,001,198	8,328,397
	Contributed surplus	1,959,647	1,170,355
		<u>23,960,845</u>	<u>9,498,752</u>
	Deficit - Statement 2	<u>(11,161,735)</u>	<u>(8,166,370)</u>
		<u>12,799,110</u>	<u>1,332,382</u>
		<u>\$ 12,944,903</u>	<u>\$ 1,354,050</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 and Deficit
U.S. Funds
Unaudited

Statement 2

	For the Three Months Ended 30 September 2005	For the Three Months Ended 30 September 2004	For the Nine Months Ended 30 September 2005	For the Nine Months Ended 30 September 2004
Operating Expenses				
Exploration costs - schedule	\$ 839,843	\$ 289,552	\$ 2,270,476	\$ 1,118,330
Stock compensation expense	220,967	67,550	386,045	231,750
Wages and management salary	58,193	45,066	170,502	136,321
Professional fees	32,716	11,948	88,628	64,284
Shareholder information	40,506	3,511	88,632	37,603
Office	14,009	9,354	33,501	25,486
Travel	6,573	3,138	25,023	12,677
Amortization	192	382	570	1,127
	<u>(1,212,999)</u>	<u>(430,501)</u>	<u>(3,063,377)</u>	<u>(1,627,578)</u>
Other Items				
Foreign exchange (loss)	29,207	(26,572)	39,104	(29,014)
Interest and bank charges - net	18,629	1,985	28,908	7,877
	<u>47,836</u>	<u>(24,587)</u>	<u>68,012</u>	<u>(21,137)</u>
Loss for the Period	<u>(1,165,163)</u>	<u>(455,088)</u>	<u>(2,995,365)</u>	<u>(1,648,715)</u>
Deficit - Beginning of period	(9,996,572)	(7,267,453)	(8,166,370)	(6,073,826)
Deficit - End of Period	<u>\$ (11,161,735)</u>	<u>\$ (7,722,541)</u>	<u>\$ (11,161,735)</u>	<u>\$ (7,722,541)</u>
Loss per Share - Basic and Diluted	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.10)</u>	<u>\$ (0.06)</u>
Weighted Average Number of Shares Outstanding	<u>36,002,498</u>	<u>27,129,390</u>	<u>29,956,982</u>	<u>27,129,486</u>

See Accompanying Notes

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

Statement 3

	For the Three Months Ended 30 September 2005	For the Three Months Ended 30 September 2004	For the Nine Months Ended 30 September 2005	For the Nine Months Ended 30 September 2004
Operating Activities				
Loss for the period	\$ (1,165,163)	\$ (455,088)	\$ (2,995,365)	\$ (1,648,715)
Items not affecting cash:				
Stock compensation	220,967	67,550	386,045	231,750
Share capital issued in exploration costs	-	-	548,625	-
Amortization included in exploration costs	6,892	4,310	19,301	12,946
Amortization	192	382	570	1,127
	(937,112)	(382,846)	(2,040,824)	(1,402,892)
Changes in:				
Prepays and advances	(47,506)	(1,801)	(73,441)	(5,990)
Accounts payable	(17,413)	(104,569)	124,125	(16,903)
Cash used in operating activities	(1,002,031)	(489,216)	(1,990,140)	(1,425,785)
Investing Activities				
Purchase of property plant and equipment	(7,990)	-	(55,461)	-
Cash used in investing activities	(7,990)	-	(55,461)	-
Financing Activities				
Share capital issued - net	10,592,195	-	13,527,423	600
Cash received from financing activities	10,592,195	-	13,527,423	600
Net Decrease in Cash Position				
Cash position - Beginning of period	9,582,174	(489,216)	11,481,822	(1,425,185)
	3,165,200	1,929,772	1,265,552	2,865,741
Cash Position - End of Period	\$ 12,747,374	\$ 1,440,556	\$ 12,747,374	\$ 1,440,556
Non-cash Investing and Financing Activities				
Stock compensation included in share issuance costs - Broker warrants	298,371	-	298,371	-

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 2005	For the Three Months Ended 30 September 2004	For the Nine Months Ended 30 September 2005	For the Nine Months Ended 30 September 2004
Corani	Drilling	\$ 188,606	\$ -	\$ 298,606	\$ -
	Supplies and general	54,410	-	136,378	-
	Salary	71,510	-	112,713	-
	Acquisitions/claim fees	66,865	-	106,865	-
	Assaying and sampling	47,147	-	85,444	-
		<u>428,538</u>	<u>-</u>	<u>740,006</u>	<u>-</u>
Santa Ana	Salary	3,419	-	51,209	-
	Geophysics	3,560	-	29,123	-
	Supplies and general	2,666	-	18,379	-
	Travel	1,275	-	10,323	-
	Assaying and sampling	-	-	1,270	-
		<u>10,920</u>	<u>-</u>	<u>110,304</u>	<u>-</u>
Pichicani Norte	Drilling	80,000	-	80,000	-
	Geophysics	1,240	-	26,164	-
	Acquisition/claim fees	10,283	-	23,488	-
	Salaries and consulting	13,931	-	22,555	-
	General	5,960	-	6,949	-
		<u>111,414</u>	<u>-</u>	<u>159,156</u>	<u>-</u>
AngloGold Exploration Alliance	Acquisition - shares issued	-	-	548,625	-
	Salary	7,043	-	63,524	-
	Supplies and general	4,821	-	19,681	-
	Geophysics	18,000	-	18,000	-
		<u>29,864</u>	<u>-</u>	<u>649,830</u>	<u>-</u>
Generative exploration	Supplies and general	130,998	39,533	234,192	124,717
	Salary	95,770	121,376	209,532	368,734
	Travel	22,343	33,863	53,432	112,412
	Acquisition/claims fees	1,659	50,693	19,078	81,094
	Assays and geological	1,264	11,190	7,855	31,051
		<u>252,034</u>	<u>256,655</u>	<u>524,089</u>	<u>718,008</u>
Bella Maria	Acquisitions/claim fees	-	-	21,890	-
	Salary	-	-	13,105	-
	Supplies and general	-	-	3,389	-
	Assaying and sampling	-	-	3,369	-
		<u>-</u>	<u>-</u>	<u>41,753</u>	<u>-</u>
Ninabamba	Acquisition/claim fees	-	-	8,703	-
	General	-	-	1,586	-
	Travel	-	-	13	-
		<u>-</u>	<u>-</u>	<u>10,302</u>	<u>-</u>
Other properties		<u>7,073</u>	<u>32,897</u>	<u>35,036</u>	<u>400,322</u>
Costs for the Period		<u>\$ 839,843</u>	<u>\$ 289,552</u>	<u>\$ 2,270,476</u>	<u>\$ 1,118,330</u>

See Accompanying Notes

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

30 September 2005

US Funds
Unaudited

1. Incorporation / Nature of Business

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

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 2004.

3. Fair Value of Financial Instruments

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

4. Property, Plant and Equipment

Details are as follows:

	Cost	Accumulated Amortization	30 September 2005 Net Book Value	31 December 2004 Net Book Value
Office equipment	\$ 11,321	\$ 4,558	\$ 6,763	\$ 7,333
Exploration equipment	152,190	73,525	78,665	42,505
	\$ 163,511	\$ 78,083	\$ 85,428	\$ 49,838

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

30 September 2005

US Funds
Unaudited

5. Resource Property Costs

Resource expenditures per project under active exploration:

	Acquisition Costs	Exploration Costs	Balance as at 30 September 2005
Corani Project, Peru	\$ 106,865	\$ 633,141	\$ 740,006
Santa Ana Project, Peru	937	170,244	171,181
Pichacani Norte Project, Peru	23,488	135,668	79,156
Niñobamba Project, Peru	8,700	168,562	177,262
	<u>\$ 139,990</u>	<u>\$ 1,107,615</u>	<u>\$ 1,247,605</u>

a) Corani Project

By letter of understanding dated 19 January 2005 the Company entered into an agreement with Rio Tinto Mining and Exploration Limited ("Rio Tinto"), whereby the company has the right to earn a 70% interest in the Corani property located in southeastern Peru, subject to Rio Tinto's claw-back right. In order to earn its 70% interest, the Company, at its option, must make payments of \$5,400,000 over 3 years as follows:

On signing of letter of understanding – paid	25,000
On or before 19 July 2005 – paid	75,000
On or before 19 January 2006	300,000
On or before 19 January 2007	2,000,000
On or before 19 January 2008	3,000,000
	<u>5,400,000</u>

Once the 70% interest is earned, Rio Tinto shall have 90 days from the date of receipt, to elect at its sole discretion either to offer its remaining 30% interest in the Property to Bear Creek for \$5,000,000 and additional Success Payments as described below; or can elect to enter into a joint venture agreement with Bear Creek. The joint venture agreement would have standard dilution clauses.

In addition to the payments listed above, the Company will also pay, pro rata "Success Payments" of \$1.10 per ounce of gold, \$0.015 per ounce of silver, and \$0.005 per pound of copper based upon recoverable metal defined in a feasibility study. The Company will pay additional cash Success Payments of \$5,000,000 for each event that the recoverable reserves exceeds 1 million ounces gold or 100 million ounces silver, subject to a maximum amount of \$10,000,000. The Success Payments will be payable within thirty days following acceptance of the feasibility study by Rio Tinto. Should the recoverable reserves as defined at commencement of commercial production be 20% or more greater than the recoverable reserves defined by the Feasibility Study, the Company will then adjust the Success Payments and pay Rio Tinto the balance.

Rio Tinto's Claw-Back Right

Rio Tinto has the option to acquire a 60% interest in the project by reimbursing the Company three times its pro-rated total direct exploration expenditures should the economic resources exceed 5.5 million tonnes of copper, or if the economic resources exceed 10 million ounces of gold-equivalent precious metal mineralization.

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

30 September 2005

US Funds
Unaudited

b) Santa Ana Project

During the prior year, the Company agreed to acquire a 100% interest in the Santa Ana property in southeastern Peru. In order to earn the 100% interest, the Company must make payments of \$15,000 upon receipt of title, which is subject to government approval, \$15,000 on initiation of drilling, and 3% of direct exploration expenditures to a maximum lifetime payment of \$250,000.

c) Pichacani Norte Project

On 26 October 2004, Bear Creek entered into a letter agreement with AngloGold Peru to acquire a 60% interest in its Pichacani Norte Project for exploration expenditures totaling \$2.5 million over a three-year period. Upon completion of the \$2.5 million expenditure, Bear Creek and AngloGold Peru will enter into a joint venture agreement with standard dilution clauses. If drill indicated resources exceed 2.5 million ounces gold equivalent, AngloGold Peru has a one time back-in right to acquire a 70% interest by funding a full feasibility study and reimbursement of three times Bear Creek's exploration costs incurred.

d) Bella Maria Project

By agreement dated 25 October 2004, the Company entered into an option agreement, whereby the Company has the right to earn a 75% interest in the Bella Maria property in Ecuador. This project was terminated during the second quarter of 2005.

e) AngloGold Exploration Alliance

By letter agreement dated 12 January 2005, the Company acquired certain data from AngloGold Ashanti Exploraciones del Peru S.A. in exchange for the issuance of 200,000 common shares of the Company's stock, 1 million warrants priced at CDN\$1.50 to expire 12 January 2006, and 1 million warrants priced at CDN\$2.20 to expire 12 January 2007. The 200,000 shares issued had a deemed value of \$131,200 and the 2 million warrants had a deemed value of \$417,425. In addition, the Company is required to spend \$250,000 in exploration within one year of signing.

f) Niñobamba Project

On 30 July 2003, the Company entered into an agreement with AngloGold Exploracion Peru S.A.C. whereby the Company can earn at least a 60% interest in the Niñobamba property located in Peru. In order to earn the 60% interest, the Company, completed 1,000 meters of drilling by March 2004 and, at its option, must make exploration expenditures of \$2,500,000 by 30 July 2006. The property is subject to net smelter return royalties of 4% on gold and 2% on silver.

g) Ataspaca Project

The Company entered into a term sheet dated 29 May 2002 and earned 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, from Southwestern Resources Corp. ("SW").

On 17 November 2004, the Company and SW entered into an agreement with Anglo American Exploration Peru ("AAEP"), whereby AAEP will continue exploration. Under the terms of the agreement, AAEP must incur exploration expenditures of \$2,750,000 over a four-year period and make payments totalling \$150,000 over a two-year period in order to earn a 60% interest in the project. The agreement takes effect once AAEP acquires a federal decree allowing for a foreign company to acquire title of mineral rights within the 50km border zone of Peru. The application is being processed and approval is expected in early 2006. The Company's interest would then be a

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

30 September 2005

US Funds
Unaudited

20% participating interest. To date, the Company has received \$34,260 as reimbursement of expenditures.

h) Los Osos Project

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.

i) Fe y Esperanza Project

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. 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 – paid	10,000
On or before 13 February 2006	50,000
On or before 13 February 2007	100,000
	<hr/>
	165,000
	<hr/>

j) La Yegua Project

During the prior year, the Company staked an additional property known as La Yegua in Peru (3,000 hectares). The Company holds a 100% interest in the properties subject to annual claim payments totalling \$5,012 to maintain the claims in good standing.

k) Ayantaz, Ecuador

During the current fiscal period, the Company acquired the Ayantaz property (2004 hectares) in Southeastern Ecuador under a finder's fee agreement dated 17 January 2005. Under the finders fee agreement, the Company paid a finder's fee of \$10,000 upon acquisition of the property. In addition an additional \$10,000 is payable upon initial drilling; and payments equal to 3% of the Company's direct expenditures on the property to a maximum of \$100,000 per property.

The property is subject to 1.5% net smelter royalty with a \$1,000,000 buy out by the Company.

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

30 September 2005

US Funds
Unaudited

6. Share Capital

a) **Details of share issued are as follows:**

	Shares		Amount
Authorized:			
50,000,000 common shares without par value			
Issued and allotted and fully paid:			
Balance - 31 December 2003	27,128,457	\$	8,191,297
Exercise of share purchase warrants	1,200		600
Exercise of stock options	150,000		75,000
Fair value of options exercised	-		61,500
Balance - 31 December 2004	27,279,657		8,328,397
Shares issued for exploration alliance	200,000		131,200
Shares issued for warrants	5,413,952		4,298,753
Shares issued for stock options	705,000		283,493
Shares issued in private placement	3,600,000		9,720,837
Fair value of options and warrants exercised	-		312,909
Share issuance costs	-		(1,074,391)
Balance - 30 September 2005	37,198,609	\$	22,001,198

On 30 August 2005, the Company issued a total of 3,600,000 Units at Cdn \$3.25 per Unit for gross proceeds of Cdn \$11.7 million. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one common share at Cdn \$4.25 over a two-year period expiring on 30 August 2007. The underwriting fees associated with this issuance are 6% for a total of Cdn \$702,000 and 180,000 Broker warrants which entitles the broker to acquire one common share and one-half of a Broker Option Warrant at Cdn \$3.25 and expiring on 30 August 2007.

b) **Details of contributed surplus:**

	2005		2004
Balance – Beginning of Period	\$ 1,170,355	\$	805,000
Fair value of stock-based compensation	386,045		426,855
Fair value of stock options exercised – transferred to share capital	(136,345)		(61,500)
Fair value of broker warrants	298,731		-
Fair value of warrants issued for exploration alliance	417,425		
Fair value of exploration alliance warrants exercised	(176,564)		
Balance – End of Period	\$ 1,959,647	\$	1,170,355

c) **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 five 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 not less than

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

30 September 2005

US Funds
Unaudited

the closing price on the Exchange on the last trading day preceding the grant date. Options begin vesting on the grant date based on a schedule outlined in the share purchase option plan.

A summary of the Company's options as at 30 September 2005 is as follows:

	Number	Price per Share	Expiry Date
Options	1,690,000	US\$0.50	21 April 2008
	280,000	US\$0.50	5 June 2008
	40,000	US\$0.50	10 June 2008
	20,000	US\$0.50	2 July 2009
	1,350,000	Cdn\$0.70	24 November 2009
	865,000	Cdn\$3.00	5 August 2010
	4,245,000		

2,901,250 options have been vested at the period end.

On 5 August 2005, the Company granted directors, officers, consultants and employees of the Company options to purchase up to 1,700,000 common shares of the Company at an exercise price of CDN\$3.00 per share. Of the options granted, 835,000 are subject to shareholder and Toronto Stock Exchange approval. The remaining 865,000 have an \$1,800,681 estimated value on the grant date. Since the options were granted under a graded vesting schedule, \$138,427 of the fair value has been recorded in the Company accounts. The offsetting entry is to contributed surplus.

The fair value of the options granted on 5 August 2005 are estimated on its date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Options Issued on 5 August 2005
Expected dividend yield	0.00%
Expected stock price volatility	132%
Risk-free interest rate	4.27%
Expected life of options	5 years

The weighted average fair value of the options granted was \$2.08

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.

d) Warrants

As at 30 September 2005, the following share purchase warrants were outstanding:

	Number	Price per Share	Expiry Date
AngloGold	1,000,000	Cdn\$2.20	12 January 2007
Series D Warrants*	1,431,266	Cdn\$1.25	7 April 2007
Series E Warrants	1,799,999	Cdn\$4.25	30 August 2007
Broker Warrants	180,000	Cdn\$3.25	30 August 2007
	4,411,265		

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

30 September 2005

US Funds
Unaudited

The Company amended the terms of the Series B and C warrants. The warrant holder could have elected to exercise such amended Series B and C warrants and receive a Unit for \$0.75 each. Each Unit consisting of one common share and one-half of one Series D warrant. Each whole Series D warrant will allow the holder to acquire one common share at Cdn\$1.25 for two years following the date of issue. If the Series B and C warrant holder does not exercise within 10 days of the approval, the warrants continued to be exercisable on the same terms that previously existed. During the first four months of the current fiscal year, 3,122,285 Series B and C warrants were exercised under the amendment, which resulted in 3,122,285 common shares of the Company being issued for cash of \$2,341,714 and a total of 1,561,141 Series D warrants were issued.

Series D warrants are subject to a forced 30-days exercise provision if the Company's shares trade at or above Cdn\$1.90 for over a period of 20 consecutive days. To date the Company has not enforced the 30 day exercise provision.

e) **Escrow Shares**

As at 30 September 2005, 1,512,603 shares are held in escrow and will be released upon a predetermined time schedule.

7. Related Party Transactions and Balances

The following represents the details of related party transactions paid or accrued during the nine months ended 30 September 2005:

	2005		2004
Management fees paid to the president of the Company	\$ 117,500	\$	112,500
Management fees paid to an officer of the Company	92,700		92,700
Consulting fees paid to a director of the Company	57,500		-
Legal fees paid to a firm in which a director of the Company is a partner	53,333		40,257
Legal fees paid to a firm in which an officer of the Company is a partner	117,446		8,106
Accounting fees paid to an officer of the Company	18,595		16,980
Rent paid to a company with a common director and officer of the Company	15,125		13,026
	\$ 472,199	\$	283,569

8. Segmented Information

The Company has one operating segment, which is mineral exploration. All of the Company's exploration expenses as disclosed on the exploration cost schedule are incurred in South America. All of the Company's assets and other expenses are in Canada, except for \$79,048 of property, plant and equipment, which are located in Peru.

Bear Creek Mining Corporation

(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

30 September 2005

US Funds

Unaudited

9. 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 \$13,333 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 of 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.

10. Subsequent Events

- a) Subsequent to 30 September 2005, a total of 351,250 Series D warrants were exercised for cash of Cdn \$439,062.
 - b) Subsequent to 30 September 2005, a total of 30,000 stock options were exercised for cash of \$17,330.
-

**FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR BEAR CREEK MINING CORPORATION**

Our Management's Discussion and Analysis

Introduction

Prepared as at 15 November 2005 for the quarter ended 30 September 2005.

Bear Creek Mining Corporation's ("Bear Creek" or the "Company") main business is acquiring and exploring mineral properties principally located in Peru with the objective of identifying mineralized deposits economically worthy of sale for the creation of value for shareholders. We are a publicly traded Canadian exploration company without any mineral producing properties, and thus, have no revenues from any mineral properties.

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

Forward-Looking Information

This management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Bear Creek 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 achievements 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

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 are 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 three months ended September 2005 and relative to the same period in 2004.

Corani Project

By letter of understanding dated 19 January 2005 the Company entered into an agreement with Rio Tinto Mining and Exploration Limited ("Rio Tinto"), whereby the company has the right to earn a 70% interest in the Corani property located in southeastern Peru, subject to Rio Tinto's claw-back right. In order to earn its 70% interest, the Company, at its option, must make payments of \$5,400,000 over 3 years. Bear Creek has made total payments of \$100,000 in the 2005 fiscal period to maintain the agreement in good standing, and has a payment of \$300,000 payable on or before 19 January 2006.

Once the 70% interest is earned, Rio Tinto shall have 90 days from the date of receipt, to elect at its sole discretion either to offer its remaining 30% interest in the Property to Bear Creek for \$5,000,000 and additional Success Payments as described below; or can elect to enter into a joint venture agreement with Bear Creek. The Joint venture agreement would have standard dilution clauses.

In addition to the payments listed above, the Company will also pay, pro rata "Success Payments" of \$1.10 per ounce of gold, \$0.015 per ounce of silver, and \$0.005 per pound of copper based upon recoverable metal defined in a feasibility study. The Company will pay additional cash Success Payments of \$5,000,000 for each event that the recoverable reserves exceeds 1 million ounces gold or 100 million ounces silver, subject to a maximum amount of \$10,000,000. The Success Payments will be payable within thirty days following acceptance of the feasibility study by Rio Tinto. Should the recoverable reserves as defined at commencement of commercial production be 20% or more greater than the recoverable reserves defined by the Feasibility Study, the Company will then adjust the Success Payments and pay Rio Tinto the balance.

Rio Tinto has the option to acquire a 60% interest in the project by reimbursing the Company three times its pro-rated total direct exploration expenditures should the economic resources exceed 5.5 million tonnes of copper, or if the economic resources exceed 10 million ounces of gold-equivalent precious metal mineralization.

During the current period, the Company incurred expenditures of \$428,538. Included in this total are drilling of \$188,606, salaries of \$71,510, supplies and general of \$54,410, assaying and sampling of \$47,147. The Company has commenced a drilling program, which was to initially include an estimated 3,000 meters in approximately 20 diamond drill holes. Based upon the positive results from initial drill holes, and as a result of the Company obtaining additional financing, the program has been increased to 8,000 meters to be drilled by year-end. To date the Company has drilled 45 drill holes for a total of approximately 6,500 meters in Phase 1, resulting in a weighted average in the main Corani zone of approximately 3 ounces per tonne ("opt") of silver, 1.5% lead or a silver equivalent of 4.8 opt. Drilling and trenching continues along a length of 1,400 meters by a width of up to 425 meters. The mineralization remains open along strike, laterally, and at depth. In addition, significant base metal values indicate that lead and zinc will have an important economic impact on the project. The increase in mineralized width to at least 425 meters, the increasing silver plus base metals grades, and the presence of hydrothermal breccias suggest that a yet untested mineralized center may occur on the north end of the district, extending under post-mineral cover. In addition, a significant new target area (Corani Este) has been identified within the property boundaries.

Seven drill holes have validated at depth the high-grade surface trenching at Corani Este and indicate that the higher-grade silver mineralization extends and thickens to the north under post-mineral cover. The drill holes intercepts to date average 82 meters at 4.2 opt Ag and 1.3% Pb, and 0.5% Zn or a silver equivalent of 6.6 opt. Corani Este has the potential to significantly increase the open-pittable silver-lead mineralization on the project as mineralization has increased by approximately 50% in grade compared to the main Corani zone. In addition, the

thickness of the intercepts has increased by approximately 50% from south to north over a distance of 300 meters; and mineralization remains open to the north and east under post-mineral cover.

Preliminary metallurgical tests for the recovery of silver from the Main Corani mineralization have been completed. Cyanide bottle roll leach tests were carried out at Plenge Laboratories in Lima on samples of oxide, mixed oxide-sulphide and sulphide drill core samples. Leaching of two composite samples of oxide mineralization from four drill holes recovered 95.4% and 95.7% of the contained silver. In addition, leaching of two samples of mixed oxide-sulfide mineralization gave silver recoveries of 75.5% and 75.9% while leaching of two sulfide sample composites from three drill holes yielded 48.7% and 66.7%. The samples were derived using drill holes located in the north and south Main Corani zone where approximately 60% of the mineralization in drill core intervals is oxide, 20% is mixed, and 20% is sulphide, based upon drill logs of the first twenty-five diamond drill holes. In general, the upper near-surface part of the deposit, where initial mining would take place, is oxidized and the sulfide mineralization occurs at depth. The mixed mineralization occurs in the transition between these two zones. Additional metallurgical testing for both the Main Corani and the Corani Este deposits are planned at the Plenge Laboratory in Lima and the Dawson Metallurgical Laboratory in Salt Lake City. The planned work will include both flotation and additional cyanide leach testing. Further results will be available before year's end.

Drilling will continue on a fast-track basis with three drills working to expand both the Corani and Corani Este mineralization, as well as explore the limits of the mineralization in order to place boundaries and complete the necessary in-fill drilling for the resource calculation. Mapping and sampling of additional target areas such as La Curva are in progress, which will be followed by drill testing. The Company is also moving towards a resource calculation in early 2006 as recommended in the 43-101 report prepared by SRK Consulting of Tucson Arizona. The Company anticipates spending approximately \$2.7 million in the next six months on the Corani Project in order to complete drilling, mapping, secure surface rights and other exploration expenses to continue the project on a fast-track basis.

Santa Ana Project

Bear Creek agreed to acquire a 100% interest in the Santa Ana silver 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. During the previous period, INRENA (Peruvian Department of Cultural and Natural Resources) issued its official report for approval by the Ministry of Agriculture and Council of Ministers, the last step prior to the finalization of title by the Ministry of Energy and Mines. This process is anticipated to be completed during the current quarter. Once this is achieved and Bear Creek has obtained government approval to possess title to this property, which is located within 50 kilometers of the Peruvian border, the acquisition process will be completed. During the third quarter of 2004, expenditures were minimal and charged to "Generative Exploration". In the third quarter of 2005, the Company incurred expenditures of \$10,920. Included in this total are salaries of \$3,419, geophysics of \$3,560, supplies and general of \$2,666, travel of \$1,275. Additional rock chip sampling and geophysical survey (IP/magnetics) were completed over the southern anomaly, which have aided in selecting several high quality drill targets for testing. The average for all 446 rock chip samples collected from the project is 82.8 g/t silver, 0.37% lead, and 0.32% zinc over an area measuring 2.8 kilometers by 600 meters wide.

Pichacani Norte Project

On 26 October 2004, Bear Creek entered into a letter agreement with AngloGold Peru to acquire a 60% interest in its Pichacani Norte Project for exploration expenditures totaling \$2.5 million over a three-year period. The original commitment included current year expenditures in fieldwork and drilling totaling \$100,000, which has been met. Upon completion of the \$2.5 million expenditure, Bear Creek and AngloGold Peru will enter into a joint venture agreement with standard dilution clauses. If drill indicated resources exceed 2.5 million ounces gold equivalent, AngloGold Peru has a one time back-in right to acquire a 70% interest by funding a full feasibility study and reimbursement of three times Bear Creek's exploration costs incurred. The property has potential for near-surface gold and silver mineralization, and Bear Creek has completed fieldwork, including an IP and resistivity geophysical survey to define drill targets. In August 2005, drilling commenced at Pichacani, which is to include 500 meters in three drill holes. Performance issues caused the Company to replace the contractor and results are now expected by early December 2005. In the third quarter of 2005, the Company incurred expenditures of \$111,414. Included in this total are; drilling of \$80,000, salaries of \$13,931, geophysics of \$1,240, acquisition costs of \$10,283, supplies and general of \$5,960.

AngloGold Ashanti Exploration Alliance

In January 2005, Bear Creek and AngloGold Ashanti ("AGA") entered into a letter agreement allowing Bear Creek to acquire an extensive exploration database covering 180,000 square kilometers in southern Peru for Bear Creek's exploration purposes. As a result of the significant discoveries made by Bear Creek during 2004 and 2005, this data package will provide the Company with crucial information to be able to aggressively generate additional targets in this new precious metals belt. During the first quarter of 2005, Bear Creek accepted delivery of the data package and issued 200,000 shares of its common stock to AGA plus one million warrants priced at CDN \$1.50 to expire on 12 January 2006 which were exercised by AGA in August 2005; and an additional one million warrants priced at CDN \$ 2.20 to expire on 12 January 2007. Bear Creek must spend a minimum of \$250,000 on direct exploration during the first year, and Bear Creek will have a 100% interest in any project acquired in the defined area. Any properties acquired will be subject to certain back-in rights in favor of AGA; namely, AGA has a "back-in" right to acquire a 65% interest in any prospect acquired through the use of this data package by funding a feasibility study and providing Bear Creek a full carried interest to production. The majority of the Company's Generative Costs will be incurred in this category in 2005. Expenditures during the quarter totaled \$29,864. Included in the total are salaries of \$7,043, Geophysics of \$18,000, and supplies and general of \$4,821.

Generative Exploration

Generative exploration is a crucial part of our business in identifying and acquiring new opportunities. Costs of generative exploration are those costs not attributable to a specific 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. At any given time, several targets may be under consideration 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 totalled \$252,034 for the 2005 third-quarter, down from \$256,655 in the same period last year. The decrease in expenditures relate to the company focusing its efforts on the AngloGold Alliance and to specific projects in the current period. Expenses in this quarter consisted of \$95,770 in salaries, \$22,343 in travel, supplies and general expenses of \$130,998, mineral rights acquisition costs of \$1,659, and \$1,264 in assays.

Fe y Esperanza Project

During the prior year, 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. The southern half of the mineral district is currently being explored under a joint venture agreement between BHP Billiton and Chariot Resources. Acquisition costs of \$10,000 were incurred during the first quarter of 2005. No work was performed on Fe y Esperanza since the first quarter of 2005. No further work is planned on the property pending drilling planned by Chariot/BHP. Bear Creek has no knowledge of the timing of their planned drilling program. While this does not constitute a high-priority target, the Company intends to hold these claims for their strategic value and explore them as appropriate.

Other Properties

Other properties are exploration properties which management has decided are not a current priority, or which management has chosen not to pursue further and, therefore, has terminated option agreements related to these properties.

Our Results of Operations

We are a publicly traded Canadian exploration company without any mineral producing properties, and thus, have no revenues from any mineral properties.

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	Basic and Fully Diluted Loss per Share from Continued Operations
3 rd Quarter 2005	Nil	(1,165,163)	(0.03)
2 nd Quarter 2005	Nil	(775,092)	(0.02)
1 st Quarter 2005	Nil	(1,055,110)	(0.04)
4 th Quarter 2004	Nil	(443,829)	(0.02)
3 rd Quarter 2004	Nil	(455,088)	(0.02)
2 nd Quarter 2004	Nil	(559,297)	(0.02)
1 st Quarter 2004	Nil	(634,330)	(0.02)
4 th Quarter 2003	Nil	(1,501,675)	(0.06)

For the Three and Nine Months Ended September 30, 2005

Net Loss and Operating Expenses

For the current period, the Company experienced a net loss of \$1,165,163, compared to a net loss of \$455,088 for the same period in 2004, an increase of \$710,075. The increase is primarily due to an increase in exploration costs incurred on the Corani and Pichacani Norte projects. The Company had a loss per share of \$0.03, compared to \$0.02 from the same period in 2004.

For the nine months ended 30 September 2005, the Company experienced a net loss of \$2,995,365 compared to \$1,648,715 from the same period in 2004; an increase of \$1,346,650, which is primarily due to an increase in exploration costs related to the Corani project and the costs associated with the acquisition of the AngloGold Exploration Alliance.

Total operating expenses for the third quarter of 2005 were \$1,212,999 compared to operating expenses of \$430,501 for the same period in 2004. Wages and management salary costs increased in the current period to \$58,193, compared to \$45,066 in the same period last year, due to costs associated with increased investor relation's activities. Stock compensation increased to \$220,967 in the third quarter, up from \$67,550 in the same quarter last year as a result of increased amount of options vesting. Exploration costs were \$839,843 in the third quarter of 2005, up from \$289,522 in the same period last year, largely due to the increased work on the Corani project.

For the nine months ended, the total operating expenses for the period were \$3,063,377 compared to \$1,627,578 for the same period in 2004. Wages and management salary costs increased in the current period to \$170,502, compared to \$136,321 in the same period in 2004. Professional fees increased in the period ended 30 September 2005 to \$88,628 up from \$64,284 in 2004. Stock compensation expense for the nine months ended September 30 was \$386,045 compared to \$231,750 in the same period last year. Shareholder information increased to \$88,632 for the nine-month period, up from \$37,603. This change was due to an increase in corporate activities. Exploration costs for the nine months ended were \$2,270,476 compared to \$1,118,330 in the same period in 2004, largely due to the increased activity on the Corani and Pichacani Norte projects as well as the shares and warrants issued under the AngloGold Exploration Alliance.

Bear Creek's net interest income for the period ended 30 September 2005 was \$18,629, as which increased by 16,644 from the period ended 30 September 2004. The increase in interest income was attributable to a higher cash balance for the quarter due to the issuance of common shares in 2005, as compared to the same period last year.

For the nine months ended September 30 2005, Bear Creek's net interest income \$28,908, an increase of \$21,031 from the same period in 2004. The increase in interest income was again, attributable to a higher cash balance during the period.

Liquidity and Capital Resources

On 30 September 2005, the Company had 37,198,609 issued and allotted shares. The Company's net working capital as at 30 September 2005 was \$12,713,682 compared to a net working capital of \$1,282,544 as at 31 December 2004. The cash balance at 30 September 2005 was \$12,747,374 compared to \$1,265,552 as at 31 December 2004. As at 30 September 2005 current liabilities were \$145,793 compared to \$21,668 as at 31 December 2004.

The Company amended the terms of the Series B and C warrants. The warrant holder could have elected to exercise such amended Series B and C warrants and receives a Unit for \$0.75

each. Each Unit consisting of one common share and one-half of one Series D warrant. Each whole Series D warrant will allow the holder to acquire one common share at Cdn\$1.25 for two years following the date of issue. If the Series B and C warrant holder does not exercise within 10 days of the approval, the warrants continued to be exercisable on the same terms that previously existed. During the second quarter of 2005, 3,122,285 Series B and C warrants were exercised under the amendment, which resulted in 3,122,285 common shares of the Company being issued for cash of \$2,341,714 and a total of 1,561,141 Series D warrants were issued.

As at 15 November 2005 the Company had 37,579,859 issued shares. The Company had 4,245,000 options outstanding granted to directors, officers, employees and consultants to purchase an aggregate of 4,245,000 shares at prices ranging from US\$0.50 to Cdn\$3.00 and expiring at varying dates between 22 April 2008 and 30 August 2010. In addition, the Company has granted 835,000 options, which are subject to shareholder and Toronto Stock Exchange approval.

On 15 November 2005, the Company had 4,411,265 warrants outstanding at prices ranging from Cdn \$1.25 to Cdn \$4.25 expiring at varying dates between 12 January 2006 and 30 August 2007.

Our opinion regarding liquidity and our ability to be a going concern are based on currently available information. To the extent that this information changes, future availability of financing may be adversely affected. Factors that could affect the availability of financing include our performance by various factors including the progress and results of our exploration work, the state of equity markets, investor perceptions and expectations of past and future performance.

Financing Activity

As described above, the Company received cash proceeds of \$4,298,753 from the exercise of 4,413,952 Series A,B,C and D Warrants and the exercise of 1,000,000 AGA Cdn \$1.50 warrants. In addition, a total of \$283,493 was received during the quarter ended 30 September 2005, for the exercise of 705,000 share purchase options.

In August, the Company issued a total of 3,600,000 Units at \$3.25 per Unit for gross proceeds of Cdn \$11.7 million. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant entitled the holder to acquire one common share at Cdn \$4.25 over a two-year period from the date of issuance. The underwriting fees associated with this issuance was 6% for a total of Cdn \$702,000 and 180,000 Broker warrants which entitles the broker to acquire one common share and one-half of a Broker Option warrant at Cdn \$3.25 and expiring on 30 August 2007.

Total proceeds from options and warrants exercised 1 October 2005 to 15 November 2005 was \$389,000.

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

Transactions with Related Parties

In connection with the approval of related party transactions, the Company has a policy that requires that the terms of all such transactions must be comparable to terms available in arms-length transactions. Each of the transactions described below meet those requirements.

The company accrued for legal services received from a law firm in which Miguel Grau, a director of Bear Creek, is a partner totaling \$53,333. Legal services were rendered in association with the Company's subsidiary in Peru and its interest in various mineral projects.

The Company has received legal services during the period from a law firm in which Corey Dean, an officer of Bear Creek, is a partner, totaling \$117,446. These legal fees related primarily to the amendment of the Company warrants and ongoing other administrative items and fees related to the private placement.

The Company has received accounting services from an accounting firm in which Steven Krause, an officer of the Company, is a partner. The total accounting services paid were \$18,595.

The Company received consulting services from a director of the Company, Catherine McLeod-Seltzer, during the period. These fees were incurred in relation to investor relation services. Total fees paid to a director during the nine months ended September 30, 2005 was \$57,500.

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, such as postage on the basis of Bear Creek's actual usage. Rent and miscellaneous charges paid to Pacific Rim for the period ended 30 September 2005 was \$15,125.

Critical Accounting Policies and Estimates

The details of Bear Creek's accounting policies are presented in note 2 of the annual consolidated financial statements. The following policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Company's financial statements and the uncertainties that could have a bearing on its financial results.

a) *Resource Properties*

Resource properties are stated at estimated fair value as at the date of acquisition, less accumulated write-downs. Reviews are undertaken annually to evaluate the carrying values of exploration and development properties. Bear Creek capitalizes costs incurred on mineral properties only after it has been established that the property contains mineral reserves. Expenditures on exploration properties, including those with mineral resources are expensed as incurred.

b) *Stock-based Compensation*

In the year ended December 2003, the Company adopted CICA standard 3870 "Stock-based Compensation and Other Stock-based Payments", which requires fair value accounting for all stock options issued during the year.

c) *Estimates*

Financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Approval

The Audit Committee of Bear Creek has approved the disclosure contained in this MD&A.

Additional Information

Additional information relating to Bear Creek is on SEDAR at www.sedar.com