

BEAR CREEK MINING CORPORATION

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2007

EXPRESSED IN US FUNDS

(Unaudited)

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

Statement 1

		As at 30 September 2007 <i>(Unaudited)</i>	As at December 31 2006
ASSETS			
Current	Cash and cash equivalents	\$ 19,712,637	\$ 5,024,649
	Short-term investments <i>(Note 4)</i>	52,876	-
	Prepaid expenses and advances	205,389	130,562
		19,970,902	5,155,211
Equipment <i>(Note 5)</i>		315,311	250,821
Future Reclamation Costs		250,000	-
Resource Acquisition Costs <i>(Note 6)</i>		2,000,000	-
		\$ 22,536,213	\$ 5,406,032

LIABILITIES

Current	Accounts payable and accrued liabilities	\$ 304,041	\$ 820,391
Asset retirement Obligation		250,000	-
		554,041	820,391

SHAREHOLDERS' EQUITY

Share Capital	Authorized: <i>(Note 7a)</i> Unlimited common shares without par value		
	Issued and fully paid:		
	45,189,523 (2006 - 40,423,485) common shares	48,954,753	28,330,924
	Contributed surplus <i>(Note 7b)</i>	10,357,750	4,436,161
		59,312,503	32,767,085
Deficit - Statement 2		(37,330,331)	(28,181,444)
		21,982,172	4,585,641
		\$ 22,536,213	\$ 5,406,032

Commitments *(Note 10)*

Subsequent events *(Note 11)*

ON BEHALF OF THE BOARD:

"Catherine McLeod Seltzer" _____, Director

"Andrew Swarthout" _____, Director

See Accompanying Notes

Bear Creek Mining Corporation
(An Exploration Stage Company)

Statement 2

Interim Consolidated Statements of Loss, Comprehensive Loss and Deficit

U.S. Funds

Unaudited

	For the Three Months Ended 30 September 2007	For the Three Months Ended 30 September 2006	For the Nine Months Ended 30 September 2007	For the Nine Months Ended 30 September 2006
Operating Expenses				
Exploration costs - schedule	\$ 2,513,647	\$ 3,127,126	\$ 6,634,233	\$ 8,425,762
Stock compensation expense	778,663	703,399	2,599,043	1,978,608
Wages and management salary	91,878	107,352	266,209	280,479
Professional fees	121,411	55,324	235,497	208,314
Shareholder information and filing fees	57,868	22,620	213,461	141,750
Travel	42,042	35,651	147,713	98,571
General administrative expenses	62,825	106,852	190,903	224,637
Amortization	780	2,513	2,531	3,214
	<u>(3,669,114)</u>	<u>(4,160,837)</u>	<u>(10,289,590)</u>	<u>(11,361,335)</u>
Other Items				
Foreign exchange gain	585,961	69,288	886,135	540,962
Gain on held for trading investments	2,401	-	2,401	-
Interest income	140,218	79,392	252,167	275,464
	<u>728,580</u>	<u>148,680</u>	<u>1,140,703</u>	<u>816,426</u>
Loss and Comprehensive Loss for the Period	<u>(2,940,534)</u>	<u>(4,012,157)</u>	<u>(9,148,887)</u>	<u>(10,544,909)</u>
Deficit - Beginning of period	<u>(34,389,797)</u>	<u>(19,455,364)</u>	<u>(28,181,444)</u>	<u>(12,922,612)</u>
Deficit - End of Period	<u>\$ (37,330,331)</u>	<u>\$ (23,467,521)</u>	<u>\$ (37,330,331)</u>	<u>\$ (23,467,521)</u>
Loss per Share - Basic and Diluted	<u>\$ (0.07)</u>	<u>\$ (0.10)</u>	<u>\$ (0.21)</u>	<u>\$ (0.27)</u>
Weighted Average Number of Shares Outstanding	<u>44,398,534</u>	<u>40,140,373</u>	<u>43,099,625</u>	<u>39,196,025</u>

See Accompanying Notes

Bear Creek Mining Corporation
(An Exploration Stage Company)

Statement 3

Interim Consolidated Statements of Cash Flow

U.S. Funds

Unaudited

	For the Three Months Ended 30 September 2007	For the Three Months Ended 30 September 2006	For the Nine Months Ended 30 September 2007	For the Nine Months Ended 30 September 2006
Operating Activities				
Loss for the period	\$ (2,940,533)	\$ (4,012,157)	\$ (9,148,887)	\$ (10,544,909)
Items not affecting cash:				
Stock compensation	778,663	703,399	2,599,043	1,978,608
Amortization included in exploration costs	18,207	-	36,802	-
Amortization	780	1,441	2,531	6,566
Shares received on options payments	(2,401)	2,513	(25,179)	3,214
	(2,145,284)	(3,304,804)	(6,535,690)	(8,556,521)
Changes in:				
Prepaid expenses and advances	6,381	(17,609)	(74,826)	(60,286)
Accounts payable and accrued liabilities	(333,720)	572,672	(516,351)	985,496
Short-term investments	(27,697)	-	(27,697)	-
Cash used in operating activities	(2,500,320)	(2,749,741)	(7,154,564)	(7,631,311)
Investing Activities				
Purchase of equipment	(99,239)	(67,012)	(103,823)	(147,142)
Resource Acquisition costs	-	-	(2,000,000)	-
Cash used in investing activities	(99,239)	(67,012)	(2,103,823)	(147,142)
Financing Activities				
Share capital and warrants issued - net	17,819,916	869,836	23,946,375	4,774,846
Cash received from financing activities	17,819,916	869,836	23,946,375	4,774,846
Net Increase in Cash Position				
Cash position - Beginning of period	4,492,280	11,065,998	5,024,649	12,122,688
Cash Position - End of Period	\$ 19,712,637	\$ 9,119,081	\$ 19,712,637	\$ 9,119,081
Non-cash Investing and Financing Activities				
Fair value of options and warrants exercised	\$ -	\$ 492,319	\$ 154,798	\$ 834,589

See Accompanying Notes

Bear Creek Mining Corporation
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Schedule

Interim Consolidated Schedule of Exploration Costs

U.S. Funds
 Unaudited

		For the Three Months Ended 30 September 2007	For the Three Months Ended 30 September 2006	For the Nine Months Ended 30 September 2007	For the Nine Months Ended 30 September 2006
Corani	Drilling	\$ 445,961	\$ 1,481,027	\$ 1,828,996	\$ 3,775,312
	Salary and consulting	369,479	328,880	870,772	746,976
	Travel	122,286	73,345	346,678	201,819
	Assaying and sampling	57,870	90,474	188,309	319,591
	Supplies and general	78,465	46,267	135,616	113,338
	Maintenance costs	2,540	29,121	26,688	372,859
	Geophysics	1,467	140,811	19,905	403,706
		<u>1,078,068</u>	<u>2,189,925</u>	<u>3,416,964</u>	<u>5,933,601</u>
Santa Ana	Drilling	483,732	135,917	780,057	135,917
	Salary and consulting	58,307	32,580	146,953	45,112
	Travel	104,000	7,628	125,702	16,369
	Assaying and sampling	52,515	13,495	101,269	13,495
	Maintenance costs	11,492	-	46,610	29,690
	Supplies and general	41,520	12,364	70,758	20,422
	Geophysics	3,800	1,256	6,572	1,743
		<u>755,366</u>	<u>203,240</u>	<u>1,277,921</u>	<u>262,748</u>
El Abuelo	Drilling	-	-	153,580	-
	Salaries and consulting	5,949	-	35,538	-
	Travel	10,945	-	25,711	-
	Supplies and general	(5,297)	-	13,681	-
	Assaying and sampling	-	-	12,446	-
	Geophysics	-	-	42	-
		<u>11,597</u>	<u>-</u>	<u>240,998</u>	<u>-</u>
Don Marcelo	Maintenance costs	60,108	-	95,208	-
	Geophysics	81,089	-	81,089	-
	Salaries and consulting	23,828	-	50,299	-
	Travel	15,151	-	22,998	-
	Supplies and general	4,750	-	12,117	-
	Assaying and sampling	6,603	-	11,292	-
		<u>191,529</u>	<u>-</u>	<u>273,003</u>	<u>-</u>
Generative	Salaries and consulting	115,293	43,217	312,522	245,952
	Supplies and general	2,663	207,188	147,098	433,650
	Travel	24,914	11,695	51,746	39,276
	Assaying and sampling	13,178	-	22,582	11,933
	Geophysics	1,466	5,381	5,051	13,227
	Maintenance costs	(8,338)	-	5,618	9,935
		<u>149,176</u>	<u>267,481</u>	<u>544,617</u>	<u>753,973</u>
Other Properties		<u>32,835</u>	<u>57,004</u>	<u>103,988</u>	<u>420,518</u>
IGV		<u>295,076</u>	<u>409,476</u>	<u>776,742</u>	<u>1,054,922</u>
Costs for the Period		<u>\$ 2,513,647</u>	<u>\$ 3,127,126</u>	<u>\$ 6,634,233</u>	<u>\$ 8,425,762</u>

See Accompanying Notes

Notes to Interim Consolidated Financial Statements

30 September 2007

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(Unaudited)

1. Nature of Business

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

2. Significant Accounting Policies

The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and follow the same accounting policies and methods consistent with those used in the preparation of the most recent annual audited consolidated financial statements except as noted below. The interim consolidated financial statements do not include all information and note disclosures required by Canadian GAAP for annual financial statements, and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2006.

Change in Accounting Policies

Financial Instruments

The Company adopted the provisions of CICA Sections 3855, Financial Instruments – Recognition Measurement, 3865, Hedges and 1530, Comprehensive Income, on January 1, 2007 which addresses the classification, recognition and measurement of financial instruments and hedges in the financial statements and inclusion of other comprehensive income. The adoption of these accounting policies did not have a material effect on the financial statements of the Company upon adoption.

Mineral Acquisition and Exploration Costs

During the period, the Company clarified its accounting policy with respect to acquisition costs. This does not represent a change in accounting policy and there is no effect on prior periods. The Company's revised policy is as follows:

The Company is in the process of developing its mineral properties and has adopted the policy of capitalizing significant acquisition costs for property rights. Mineral exploration costs and maintenance payments are expensed prior to the determination that a property has economically recoverable ore reserves. Option payments are considered acquisition costs once the Company has the intention of exercising the option agreement.

Capitalized costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of ore reserves, while capitalized costs for prospects abandoned are written off.

Management reviews and evaluates the carrying value of its mineral properties for impairment when events or changes in circumstances indicate that the carrying amount of the related asset may not be recoverable. If the total estimated future operating cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is recognized and assets are written down to fair value which is normally determined using the discounted value of future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment,

Notes to Interim Consolidated Financial Statements

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US Funds
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management assesses whether carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a mineral property is impaired it is written down to its estimated fair value.

Ownership in mineral properties involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mineral properties. The Company has investigated ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

Short-term Investments

All short term investments are classified as held-for-trading financial instruments as the Company intends to use these investments in its normal course of financing its exploration activities. The held-for-trading classification was applied to estimate the fair value of short term investments at balance sheet dates using quoted market bid prices at close of business on the balance sheet date with changes in fair value recorded in the statement of loss.

3. Financial Instruments

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

The Company holds cash balances and incurs payables that are denominated in Canadian Dollars. These balances are subject to fluctuations in the exchange rate between the Canadian Dollar and the U.S. Dollar, resulting in currency gains or losses for the Company.

4. Short-term Investments

At September 30, 2007 the Company owned 55,556 shares of Chapleau Resources Ltd. The fair market value and the cost are as follows:

	September 30, 2007
Fair value	\$ 25,179
Cost	22,778
Unrealized gain (cumulative)	\$ 2,401

Included in short-term investments is a guaranteed investment certificate for \$27,697 which has a maturity date greater than 90 days.

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5. Equipment

Details are as follows:

	30 September 2007			31 December 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 29,132	\$ 15,681	\$ 13,451	\$ 27,165	\$ 12,450	\$ 14,715
Exploration equipment	418,047	116,187	301,860	316,191	80,085	236,106
	\$ 447,179	\$ 131,868	\$ 315,311	\$ 343,356	\$ 92,535	\$ 250,821

6. Resource Property Costs

Cumulative resource expenditures, per project under active exploration, are as follows:

	Capitalized Acquisition Costs	Maintenance Costs	Exploration Costs	Total Incurred to 30 September 2007
Corani Project, Peru	\$ 2,000,000	\$ 26,688	\$ 12,976,633	\$ 15,003,321
Santa Ana Project, Peru	-	46,610	2,084,137	2,130,747
Don Marcelo Project, Peru	-	95,208	187,821	283,029
	\$ 2,000,000	\$ 168,506	\$ 15,248,591	\$ 17,417,097

a) Corani Project

By letter of understanding dated 19 January 2005 and subsequently formalized by an option agreement dated 15 March 2007, 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 three years. To date, Bear Creek has made the required payments totalling \$2,400,000 (of which \$2,000,000 was paid within the current year), with the final payment of \$3 million due on or before 19 January 2008.

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 enter into a joint venture agreement with Bear Creek. The joint venture agreement stipulates dilution clauses for each party consistent with industry practices. If at any time either Bear Creek's or Rio Tinto's interest is diluted to 10% or less, by either electing or by default in making the required capital contributions, then the shareholder shall be deemed to have withdrawn its entire shareholding interest. The party that relinquishes this interest shall have the right to receive for consideration a 3% Net Smelter Royalty ("NSR") on all sales of gold or silver ("Precious Metals Royalty") and a 1.5% NSR royalty on all sales of base minerals ("Base Metals Royalty"). These royalties can be purchased jointly or separately by the remaining shareholder under the following terms: (i) up to two-thirds of the Precious Metals Royalty (thereby reducing the Precious Metals Royalty to 1%) for a royalty buy-out price equal to \$20 million for each one-third of the

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Precious Metals Royalty purchased; and (ii) the entire Base Metals Royalty for a buy-out price equal to \$20 million.

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 as defined in a feasibility study. The Company will pay additional cash Success Payments of \$5 million for each event that the Recoverable Reserves exceed 1 million ounces of gold and/or 100 million ounces of silver, subject to a maximum amount of \$10 million. To date the Company has not completed a Feasibility Study to determine the Recoverable Reserves. 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 than the Recoverable Reserves defined by a Feasibility Study, the Company will then adjust the Success Payments and pay Rio Tinto the balance.

Rio Tinto has the claw-back right to earn up to a 60% interest in the project from Bear Creek by reimbursing the Company three times its pro-rated total direct exploration expenditures should the Economic Resources exceed 5 million tonnes of copper or exceed 10 million ounces of gold-equivalent precious metal mineralization (500 million ounces of silver). In addition, if the claw-back right is exercised, Rio Tinto will provide Bear Creek financing on its 40% interest, on a deferred carried basis, on which interest shall accrue at an annual rate equal to the rate of LIBOR plus 4% per annum, to be repaid monthly after the commencement of commercial production. The claw-back right ceases once the Decision to Mine has been made.

b) Santa Ana Project

During 2004, the Company acquired an option to earn a 100% interest in the Santa Ana property in southeastern Peru. The property is subject to payments totalling 3% of direct exploration expenditures to a maximum lifetime payment of \$280,000, of which \$24,654 has been expensed to 30 September 2007.

c) Don Marcelo Project

On 6 December 2006, the Company entered into an option agreement, whereby the Company has the right to earn a 75% interest in the Don Marcelo property located in Peru. In order to earn its interest, Bear Creek must make payments of \$4.0 million over a four year period and has a commitment to complete a geophysical survey and a drill programme of 1,500 meters in the first year.

The Company can acquire the remaining 25% by either granting a 1.25% NSR or by making the following additional payments of: \$10 million for gold recoveries up to 2 million ounces, \$20 million for gold recoveries between 2 and 5 million ounces, or \$30 million for gold recoveries in excess of 5 million ounces.

d) El Abuelo Project

On 18 October 2006, the Company entered into an option agreement, whereby the Company has the right to earn a 100% interest in the El Abuelo property located in Peru. In April 2007, management of the Company decided to cancel its option agreement relating to the El Abuelo property.

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e) AngloGold Exploration Alliance

The Company acquired certain data from AngloGold Ashanti Exploraciones del Peru S.A. ("AGA") in exchange for the issuance of 200,000 common shares of the Company's stock, 1 million warrants priced at CDN\$1.50 (exercised in 2005), and 1 million warrants priced at CDN\$2.20 to expire 12 January 2007 (exercised in March 2006). 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. None of the active projects of the Company are subject to this back-in.

f) Antash Project

Bear Creek has an option to acquire 100% of the Fe y Esperanza 1 prospect through escalating cash payments totalling \$665,000 by October 2008. Once the prospect is transferred to Bear Creek, a 2% NSR will be granted to the optionor. The NSR payments are capped to a maximum of US\$700,000. The Fe y Esperanza 1 and the Antash 1 (100% Bear Creek property) form the project named Antash. In March 2007 Bear Creek signed an Agreement with Aztec Metals where Aztec can acquire a 51% interest in Antash by: a) meeting the cash payment obligations that Bear Creek has to the owner of Fe y Esperanza; b) meeting 100% of Bear Creek's finders fee obligations to a Peruvian individual during the first year and 51% after vesting its interest; and c) completing a 1,000 metres drilling program within 12 months of the signature of the agreement. In August, the Company has received \$27,181 as reimbursement of expenditures. Subsequent to September 30, 2007, the Company received \$39,669 from Aztec.

g) Ataspaca Project

The Company entered into a term sheet dated 29 May 2002 and earned a 50% interest and management control of a mineral claim named "Brisa 1" in the Tacna region, 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 took effect in November 2006 when AAEP acquired a federal decree allowing it as a foreign company to acquire title of mineral rights within the 50km border zone of Peru. To date, the Company has received \$34,260 as reimbursement of expenditures. AAEP has decided to terminate its agreement.

Management has reviewed its exploration results on the project, and has terminated its joint venture with SW and interest in the project (Note 11).

h) La Yegua

In February 2007 Bear Creek signed a Letter of Intent with Chapleau Resources Ltd. ("Chapleau") in which Chapleau may acquire up to a 75% interest in the La Yegua project. La Yegua is a porphyry copper-molybdenum project, which is 100% owned by the Company and is located in the Apurimac region of Southern Peru. Chapleau has an opportunity to earn a 51% interest in the property by spending a total amount of \$2.8 million in exploration over a four year period and issuing the equivalent of \$350,000 in Chapleau shares, which is based on the market price of Chapleau shares at

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the time of issuance, during the four years. With the issuance of an additional 1.25 million shares Chapleau may increase the vested interest from 51% to 75%. In April 2007, the Company received 55,556 shares of Chapleau, which have a value of approximately \$25,179 (Note 4).

7. Share Capital

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

	Shares	Amount
Authorized:		
Unlimited common shares without par value		
Issued and fully paid:		
Balance - 31 December 2005	37,618,609	\$ 22,448,748
Shares issued for stock options exercised	764,650	469,963
Shares issued for warrants exercised	1,040,226	2,616,523
Shares issued for exploration alliance warrants exercised	1,000,000	1,905,752
Fair value of options and warrants exercised	-	889,938
Balance – 31 December 2006	40,423,485	28,330,924
Shares issued for stock options exercised	270,000	183,582
Shares issued for warrants exercised	2,071,038	5,942,877
Fair value of options and warrants exercised	-	154,798
Shares issued for private placement	2,425,000	15,222,139
Share issuance costs – private placement		(879,567)
Balance – 30 September 2007	45,189,523	\$ 48,954,753

On 1 August 2007, the Company completed a private placement through a syndicate of underwriters of 2,425,000 units at a price of C\$8.30 a unit for gross proceeds of approximately C\$20.1 million. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share of the Company at a price of C\$10.50 over a two year period expiring on 1 August, 2009. The Underwriters received a cash commission of 5.5% of the gross proceeds.

The fair value attributable to the common shares and warrants was \$15,222,139 and \$3,477,344 respectively (Note 7d).

b) **Details of Contributed Surplus:**

	Nine Months Ended 30 September 2007
Balance – Beginning of Period	\$ 4,436,161
Fair value of private placement warrants	3,690,596
Fair value of stock-based compensation	2,599,043
Fair value of broker warrants exercised	(16,845)
Fair value of stock options exercised	(137,953)
Issuance costs	(213,252)
Balance – End of Period	10,357,750

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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 the closing price on the Toronto Stock 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.

	Number of options	Weighted average exercise price (in CDN\$)
Options outstanding at 31 December 2005	5,130,000	1.49
Granted	235,000	6.38
Exercised	(764,650)	0.69
Cancelled	(245,000)	1.99
Options outstanding at 31 December 2006	4,355,350	1.87
Exercised	(270,000)	0.80
Granted	525,000	7.99
Options outstanding at 30 September 2007	4,610,350	2.65

A summary of the Company's options as at 30 September 2007 is as follows:

	Number	Price per Share	Expiry Date
Options	1,135,000	US\$0.50	21 April 2008
	255,000	US\$0.50	5 June 2008
	20,000	US\$0.50	2 July 2009
	792,850	Cdn\$0.70	24 November 2009
	730,000	Cdn\$3.00	5 August 2010
	835,000	Cdn\$3.00	5 August 2010
	100,000	Cdn\$4.75	6 December 2010
	107,500	Cdn\$4.60	31 May 2011
	110,000	Cdn\$8.08	22 August 2011
	525,000	Cdn\$7.99	16 May 2012
	4,610,350		

4,189,100 options have vested as at 30 September 2007.

On 17 May 2007, the Company granted employees, consultants and officers of the Company, options to purchase up to 525,000 common shares of the Company at an exercise price of C\$7.99 per share. These options have a \$3,100,998 estimated value on the grant date.

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These options were valued at \$3,100,998 using the Black-Scholes option pricing model, based on the following assumptions:

	17 May 2007
Expected dividend yield	0.00%
Expected stock price volatility	112%
Risk-free interest rate	4.30%
Expected life of options	5 years

The weighted average fair value of the options granted was \$5.91.

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) Share Purchase Warrants

	Number	Price per Share	Expiry Date
Warrants	1,212,499	C\$10.50	1 August 2009

The warrants granted in the private placement on 1 August 2007, were valued at \$3,690,596 using the Black-Scholes option pricing model, based on the following assumptions:

	1 Aug 2007
Expected dividend yield	0.00%
Expected stock price volatility	110%
Risk-free interest rate	4.67%
Expected life of warrants	2 years

The weighted average fair value of the warrants granted was Cdn\$4.01.

8. Related Party Transactions

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

	2007	2006
Consulting fees paid to a director of the Company	\$ 34,900	\$ 31,000
Legal fees paid to a firm in which a director of the Company is a partner	\$ 35,243	\$ 28,465
Legal fees paid to a firm in which an officer of the Company is a partner	\$ 126,886	\$ 133,890
Accounting fees paid to a firm in which an officer of the Company is a partner	\$ 48,275	\$ 39,810

Included in accounts payable are \$10,424 of amounts due to related parties, which are unsecured, non-interest bearing and payable on demand.

Notes to Interim Consolidated Financial Statements

30 September 2007

US Funds
(Unaudited)

Related party transactions are in the normal course of business and occur on terms similar to transactions with non-related parties, and therefore are measured at the exchange amount.

9. 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 \$2,725,118 of assets, which are located in Peru.

10. Commitments

- a) By an agreement dated 27 September 2003 (and amended in April 2006 and March 2007), 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 per the amended agreement is \$15,000 per month. The amended agreement is effective from 22 April 2006 and will continue for a term of two years. The Company may terminate this agreement by providing a severance package depending on the nature of the termination.
 - b) By an agreement dated 30 September 2003 (and amended in April 2006), the Company entered into a consulting agreement with an officer of the Company to act as the Vice President of Explorations of the Company. Compensation per the amended agreement is \$10,300 per month. The amended agreement is effective from 22 April 2006 and will continue for a term of two years. The Company may terminate this agreement by providing a severance package depending on the nature of termination.
 - c) The Company has co-signed an operating lease agreement, commencing on 1 October 2006 to 31 December 2011. The total minimum lease payments are Cdn\$8,823 per month and Cdn\$105,876, per annum. The Company's proportionate share of the minimum lease payments is Cdn\$3,160 per month and Cdn\$37,920 per annum.
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11. Subsequent Events

Subsequent to period end, a total of 20,000 options were exercised for cash of Cdn\$11,893.

The company also decided to relinquish its interest in the Ataspaca Project, a joint venture with Southwestern Resources.

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

Our Management's Discussion and Analysis

Introduction

Prepared November 20, 2007 for the period ended 30 September 2007. The following discussion and analysis of the financial condition and results of operations of Bear Creek Mining Corporation (the "Company" or "Bear Creek") should be read in conjunction with the Company's unaudited interim consolidated financial statements for the period ended 30 September 2007, and the notes hereto. This discussion and analysis includes references to United States dollars and Canadian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars. Canadian dollars are referred to as C\$.

Bear Creek Mining Corporation's ("Bear Creek" or the "Company") business is acquiring and exploring mineral properties, principally located in Peru, with the objective of creating value for shareholders by identifying economic mineral deposits which can be sold or developed. Bear Creek is a publicly traded Canadian exploration Company without any mineral producing properties, and thus, has no revenues from any mineral properties.

Forward-Looking Information

This management discussion and analysis ("MD&A") contains certain forward-looking statements that are based on the beliefs and assumptions of its management 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. Therefore the reader is cautioned not to place undue reliance on forward-looking statements.

Activities on Mineral Projects

Current efforts are focused on gold and silver exploration in Peru. Base metals exploration prospects of potential are also considered. From time to time, precious or base metal exploration opportunities in other Latin American countries are considered when compatible with management's history and expertise. A large number of projects are under Bear Creek's review at any given time; including pre-feasibility and scoping study preparation, active drill evaluation, some being prepared for drilling, others in first pass mapping and sampling following staking or acquisition, and many in preliminary evaluation to decide if property ownership is possible or desired. Due to the generative nature of Bear Creek's business, many of the expenditures consist of drilling and assay costs, salaries for professional personnel, land, legal and property payments, and travel to/from and within properties.

Corani Project

By letter of understanding dated 19 January 2005 and subsequently formalized by an option agreement dated 15 March 2007, 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. The final option payment of \$3M is due January 19, 2008 upon which the Company will have earned a 70% interest and the agreement converts to a joint venture in which Rio Tinto has a participatory 30% interest.

Current Developments at Corani

Advanced metallurgical testing on its Corani silver-base metal deposit in Peru to the point where the production of marketable concentrates has been demonstrated. Recoveries have been obtained of 80% silver and 60% for lead and zinc. These metallurgical testing results will be incorporated into a Scoping Study to be completed in the first quarter of 2008, in addition the Company expects to complete a fourth resource estimate for Corani in December 2007 or January 2008. This resource estimate will provide the resource basis for the Scoping Study.

Metallurgical testing will continue in order to optimize the processing methods. This will allow the Company to continue to focus on increasing selectivity and to maximize the amount of silver reporting to the lead concentrate. Direct cyanidation of silver mineralization with lower base metals credits will also be evaluated.

During the nine months ended 30 September 2007, the Company incurred acquisition and exploration expenditures of \$5.4 million on the Corani project. Included in this total are option payments of \$2.0 million, drilling costs of \$1.8 million, salaries and consulting of \$0.9 million, and travel costs of \$0.3 million. In addition the Company recorded an accrued liability of \$0.2 million for future reclamation costs of the project.

Santa Ana Project

The Company has the option to acquire a 100% interest in the Santa Ana silver project. The property, which comprises 6,300 hectares, is located in the Puno region in southern Peru.

Drilling

The Company has completed and reported 16,577 meters in three phases of drilling in ninety-eight drill holes. Silver mineralization is contained in low-angle structures and broad, vertical structural zones outcropping at surface and extending to depths of at least 150 vertical meters. Typical mineralized drilling intercepts average a thickness of 50 to 75 meters, with grades between 30 to 90 grams per ton silver. These drill intercepts include higher-grade intervals ranging from a thickness of a few meters to tens of meters, with average grades between 100 to 2,000 g/t silver. The drill hole density is felt to be sufficient to perform a preliminary resource estimate; and the Company anticipates the first resource estimate on the project in the first quarter of 2008. The target concept is to define an open-pit table, low grade silver deposit amenable to low cost heap-leaching. Mineralization appears to remain open at depth and laterally in all directions.

Drill results under soil anomalies to the north and southwest confirm that the silver anomalies in soil over covered areas on three sides of the previously drill-tested deposit indicate potential for the expansion of the mineralized areas. Additionally, the continued higher grade silver intercepts

within long intervals of lower grade mineralization indicate that separate treatment and processing may be appropriate to increase recoveries from higher-grade material. Upon completion of further drilling and metallurgical testing, the Company expects to evaluate straight heap leach, as well as pulp agglomeration heap leach approaches as process alternatives. The pulp agglomeration method utilizes vat leaching of higher grade material with accelerated recoveries followed by heap leaching for more moderate grade material. This conventional technology can produce silver dore on-site with anticipated recoveries likely to be greater than 70%. Cash costs per ounce of silver tend to be in the lowest quartile when using heap-leach technology for precious metals production.

Two drills continue on the project focusing on extending the mineralization in open directions. A third drill is being considered in early 2008.

Metallurgical Testing

A second phase test program involving three column leach tests is nearing completion at McClelland Labs in Sparks Nevada, to evaluate the amenability of the Santa Ana material to standard heap leaching methods. The testing of three columns simulating heap leach conditions is scheduled to be completed on November 21, 2007 following 120 days of leaching, at which time the columns will be unloaded for screen-fraction analyses and assay of residuals. By early December, the final recoveries and reagent consumptions will be calculated, and an analysis of optimum crushing sizes for heap leach feed can be made for scoping and Preliminary Economic Assessment purposes. Recoveries in the order of 60% silver for average grade conventional crushed heap leaching method (3/4 inch crush) and at least 70% silver for the pulp agglomeration method are expected based on preliminary results.

The first phase of metallurgical testing, which involved cyanide leach tests of 10 samples selected from areas of known silver mineralization (including both low and high grade ranges), has shown that silver recovery can be expected to be 85% with crush sizes of 50% passing 200 mesh and 71% at 70% passing 2mm. The initial results from the early bottle-roll test work show that the silver mineralization leaches well at 3/4 inch crush sizes, a standard heap leach crush size.

Santa Ana Resource and Engineering:

Independent Mining Consultants, Tucson, AZ is preparing the first resource estimate of the project based upon drill results through November 14, 2007. The data base will include 16,576 meters of diamond core drilling in 98 drill holes. The resource estimate, in conjunction with the final column leach test results, will provide the basis for the scoping study and Preliminary Economic Assessment for the first quarter '08. Additional resource estimates will be performed as drilling results warrant. Preliminary heap leach design alternatives are being studied, as well as water, power, and infrastructure requirements for the purposes of a scoping study.

During the nine months ended 30 September 2007, the Company incurred expenditures of \$1.3 million on the Santa Ana project. Included in this total are: \$0.8 million of drilling costs, salaries and consulting of \$0.1 million, assays and sampling of \$0.1 million and various other costs of \$0.3 million. In addition, the Company recorded \$0.05 million for future reclamation costs of the project.

Don Marcelo Project

On 6 December 2006, the Company entered into an option agreement, whereby the Company has the right to earn a 75% interest in the Don Marcelo property located in Peru. In order to earn its interest, Bear Creek must make payments of \$4.0 million over a four year period and has a commitment to complete a geophysical survey and a drill program of 1,500 meters within the first year.

Bear Creek can acquire the remaining 25% interest in the property by either granting a 1.25% NSR to the optionor, or by making additional payments of \$10 million for up to 2 million ounces recoverable gold contained within Measured and Indicated Mineral Resources as defined in a pre-feasibility study, \$20 million for between 2 and 5 million ounces of recoverable gold, or \$30 million for in excess of 5 million ounces of recoverable gold.

During the nine months ended 30 September 2007, the Company expended \$0.3 million on the Don Marcelo project, largely on a geophysical survey.

A program of geophysics, including ground magnetics and Induced Polarization has been completed. The results have been analyzed in conjunction with geologic and geochemical information in the selection of drill targets. Initial drilling of 1,500 meters will be commencing in the end of November 2007.

Ataspaca Project

Bear Creek had a 50% interest in the Ataspaca project, located in the southern Peru copper belt. In December 2004, Bear Creek and its 50% joint venture partner, Southwestern Resources, signed a "Heads of Agreement" with Anglo American Exploration ("Anglo"), whereby Anglo could earn a 60% interest in Ataspaca in return for \$2.75 million in work commitments over a four-year period and payments totaling \$150,000 over a two-year period. Anglo American completed the minimum drilling requirements for the first year and has informed the Company that the results did not meet their expectations and have terminated the "Heads of Agreement". Bear Creek has reviewed the drill data and has decided to terminate its joint venture with Southwestern Resources and relinquish any interest in the property.

Antash Project

Bear Creek has an option to acquire 100% of the Fe y Esperanza 1 prospect through escalating cash payments totaling \$ 665,000 by October 2008. Once the prospect is transferred to Bear Creek, a 2% NSR will be granted to the optionor. The NSR payments are capped to a maximum of \$700,000. The Fe y Esperanza 1 and the Antash 1 (100% owned Bear Creek property) form the project named Antash. In March 2007 Bear Creek signed a binding letter of intent with Aztec Metals, whereby Aztec can acquire 51% interest in Antash by: a) meeting the cash payment obligations that Bear Creek has to the owner of Fe y Esperanza; b) meeting 100% of Bear Creek's finders fee obligations to a Peruvian individual during the first year and 51% after vesting its interest; and c) completing a 1,000 meters drilling program within twelve months of the signature of the agreement. Aztec is scheduled to begin drilling by late-November 2007.

In August, the Company has received \$27,181 as reimbursement of expenditures. Antash represents a porphyry copper (molybdenum-gold) target.

La Yegua

La Yegua is a porphyry copper-molybdenum-gold project in the Apurimac region of Southern Peru located 20 km northeast of Southern Peru Copper Corporation's Los Chancas. The La Yegua project includes 4,100 ha of mineral claims located approximately 250 km from the Atlantic coast and 100 km southwest of the city of Cusco.

In February 2007, Bear Creek signed a Letter of Intent with Chapleau Resources Ltd. ("Chapleau") regarding an option for Chapleau to acquire up to a 75% interest in the project. Chapleau has an opportunity to earn a 51% interest in the property by spending a total amount of \$2.8 million in exploration over a four year period and the issuance of the equivalent of \$0.35 million in Chapleau shares, which is based on the market price of Chapleau shares at the time of issuance, during the four years. With the issuance of an additional 1.25 million shares Chapleau may increase the vested interest from 51% to 75%.

Chapleau has informed the Company that all required exploration permits and surface agreements are in place, and that the drilling of 1,500 meters (minimum) is planned to commence in November 2007.

Generative Exploration

Generative exploration is a crucial part of the business in identifying and acquiring new opportunities. Generative exploration costs 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 who focus on generating new exploration targets with the emphasis on gold and silver. Typically, dozens of prospects are submitted to or are 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.

IGV

IGV expense of \$0.8 million represents the amount of IGV that has been paid to the Peruvian government during the period ended 30 September 2007. This amount is recoverable when there are future revenues generated by the Company in Peru. As the Company is an exploration stage company there can be no reasonable assurance that future revenue can be generated, and as a result the IGV receivable has been expensed.

Other Properties

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

Bear Creek's Results of Operations

Bear Creek is a publicly traded Canadian exploration company without any mineral producing properties, and thus, does not have revenues from any mineral properties.

For the Nine Months Ended 30 September 2007 as compared to the Nine Months Ended 30 September 2006

Net Loss and Operating Expenses

In the nine months ended 30 September, the Company generated a net loss of \$9.1 million compared to a net loss of \$10.5 million for the same period in 2006, a decrease of \$1.4 million. The decrease is primarily due to lower drilling and exploration costs incurred on the Corani property. The Company had a loss per share of \$0.21 compared to \$0.27 for the same period in 2006.

Total operating expenses for the nine months ended 30 September 2007 were \$10.3 million compared to operating expenses of \$11.4 million for the nine months ended 30 September 2006. Stock compensation expense increased to \$2.6 million in the current period, up from \$2.0 million in the same period in 2006, due to an increase in the fair value of options that vested during the current period as compared to 2006, due to the increased fair value attributed to the stock options granted in 2007 and 2006 using the Black-Scholes pricing model. Exploration costs were \$6.6 million in the current year, down from \$8.4 million in 2006 largely due to lower drilling costs incurred on the Corani project.

For the Three Months Ended 30 September 2007 as compared to the Three Months Ended 30 September 2006

In the current quarter, the Company experienced a net loss of \$2.9 million compared to a net loss of \$4.0 million for the same period in 2006, a decrease of \$1.1 million. The decrease is primarily due to decreased drilling and exploration costs incurred on the Corani property, along with an increase in the foreign exchange gain during the period. In the current quarter the Company had a loss per share of \$0.07 compared to \$0.10 for the same period in 2006.

Total operating expenses for the third quarter in 2007 were \$3.7 million compared to operating expenses of \$4.2 million for the same period in 2006. Exploration costs were \$2.5 million in the current quarter, down from \$3.1 million in the same period year, due to the decreased drilling and exploration on the Corani project. The Company had a foreign exchange gain of \$0.6 million due to the Company maintaining a portion of its cash reserves in Canadian dollars, and the Company reporting its results in US dollars, in the third quarter of 2006, the Company had a foreign exchange gain of \$0.1 million. During the three months ended 30 September 2007, the Canadian dollar strengthened against the US dollar.

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 GAAP and expressed in US dollars.

Period	Revenues	Loss from Continued Operations (In Millions)	Basic and Fully Diluted Loss per Share from Continued Operations
3 rd Quarter 2007	Nil	(2.9)	(0.07)
2 nd Quarter 2007	Nil	(3.9)	(0.09)
1 st Quarter 2007	Nil	(2.3)	(0.10)
4 th Quarter 2006	Nil	(4.8)	(0.12)
3 rd Quarter 2006	Nil	(4.0)	(0.10)
2 nd Quarter 2006	Nil	(3.6)	(0.09)
1 st Quarter 2006	Nil	(2.9)	(0.08)
4 th Quarter 2005	Nil	(1.8)	(0.05)

The decrease in the third quarter of 2007 resulted primarily from a foreign exchange gain related to the Company's Canadian dollar holdings, and to decreased drilling costs on the Company's Corani project.

The increase in the second quarter of 2007 resulted primarily from an increase in stock compensation expense.

The decrease in the first quarter of 2007 resulted primarily from a decrease in drilling activities on the Corani project.

The increase in the fourth quarter of 2006 resulted primarily from increased drilling and other exploration incurred on the Corani project, in addition the Company had additional exploration costs, including drilling on its Santa Ana project.

The increase in the third quarter of 2006 resulted primarily from increased drilling and other exploration incurred on the Corani project.

The increase in the loss for the first quarter of 2006 resulted primarily from increased drilling and other exploration costs incurred on the Corani project.

The increase in the loss for the fourth quarter of 2005 resulted primarily from additional stock compensation expenses as a result of the vesting of stock options granted in the second half of 2005 and increased drilling expenses on Corani.

Liquidity and Capital Resources

Of the \$19.7 million in cash and cash equivalents as at 30 September 2007, approximately \$7.0 million is denominated in Canadian dollars, with the remaining in US dollars. The Company's major exploration expenditures are denominated in US dollars. The Company places its cash and cash equivalents in either government backed loans or in Canadian chartered bank corporate paper with maturities of less than 60 days.

On 30 September 2007, the Company had 45,189,523 issued shares. The Company's net working capital as at 30 September 2007 was \$19.7 million compared to a net working capital of \$4.3 million as at 31 December 2006. The cash balance at 30 September 2007 was \$19.7 million

compared to \$5.0 million as at 31 December 2006. As at 30 September 2007 current liabilities were \$0.3 million compared to \$0.8 million as at 31 December 2006.

In addition, the Company accrued reclamation costs for its Corani and Santa Ana projects of \$250,000 during the quarter for future site remedial work.

On August 1, 2007, the Company completed a private placement through a syndicate of underwriters of 2,425,000 units at a price of C\$8.30 a unit for gross proceeds of approximately C\$20.1 million. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share of the Company at a price of C\$10.50 over a two year period expiring on 1 August, 2009. The underwriting fees associated with this issuance included a cash commission of 5.5%.

As at 20 November 2007, the Company had 45,189,523 issued shares. The Company has 4,610,350 share purchase options and 1,212,499 share purchase warrants outstanding. The average exercise price of the share purchase options is C\$2.65, and the share purchase warrants exercise price is C\$10.50.

With the private placement completed in August of C\$20.1 million, the Company estimates that it has sufficient cash to meet its planned expenditures and operating needs through the end of 2008. This estimate is based on current information, as the Company's expenditures and cash requirements may change over time.

Planned expenditures for the next six months include the completion of the scoping study at Corani and exercise of the Corani option. On the Santa Ana project the Company will complete a resource estimate, continue drilling and complete a scoping study; the Company will also continue exploration programs on other projects. Planned expenditures for periods beyond March 2008 are dependant on a positive scoping study reports on both Corani and Santa Ana.

The Company is aware of its cash needs and requirements and may in the future secure additional financing to satisfy its future commitments and planned expenditures, including the commencement of feasibility studies on the Corani and/or the Santa Ana projects. The Company anticipates obtaining additional financing through but not limited to, the issuance of additional equity. The Company believes that given the opportunities that the Corani and Santa Ana Projects represent and the current state of world markets the necessary financing will be obtained, although the Company has no assurance that such financing will be available on favorable terms.

Bear Creek's opinion concerning liquidity and its ability to avail itself in the future of the financing options mentioned above are based on currently available information. To the extent that this information proves to be inaccurate, future availability of financing may be adversely affected. Factors that could affect the availability of financing include Bear Creek's performance (as measured by various factors including the progress and results of the Corani and Santa Ana projects, the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets).

Financing Activity

During the nine months ended 30 September 2007, the Company received cash proceeds of \$23.9 million from the private placement completed in August and the exercise of 2,071,038 Series D and E and Broker warrants and the exercise of 270,000 options.

Investing Activity

During the nine months ended 30 September 2007, the Company made an option payment of \$2.0 million related to its Corani option agreement.

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 and occurred during the nine months ended September 30, 2007..

The Company received legal services, totaling \$35,243, from a law firm in which a Director of Bear Creek, is a partner. Legal services were rendered in association with the Company's subsidiary in Peru and its interest in various mineral projects.

The Company received legal services, totaling \$126,886, from a law firm in which an Officer of Bear Creek, is a partner. Legal fees related primarily to the amendment of the Company warrants and ongoing other administrative items.

The Company received accounting services from an accounting firm in which an Officer of the Company, is a partner. The total accounting fees paid were \$48,275.

The Company received consulting services from a Director of the Company, during the period. The fees were incurred in relation to management consulting services. Total fees paid during were \$34,900.

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*

During the period, the Company clarified its accounting policy with respect to acquisition costs. This does not represent a change in accounting policy and there is no effect on prior periods. The Company's revised policy is as follows:

The Company is in the process of developing its mineral properties and has adopted the policy of capitalizing significant acquisition costs for property rights. Mineral exploration costs and maintenance payments are expensed prior to the determination that a property has economically recoverable ore reserves and maintenance payments. Option payments are considered acquisition costs once the Company has the intention of exercising the option agreement.

Capitalized costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of ore reserves, while capitalized costs for prospects abandoned are written off.

Management reviews and evaluates the carrying value of its mineral properties for impairment when events or changes in circumstances indicate that the carrying amount of the related asset may not be recoverable. If the total estimated future operating cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is recognized and assets are written down to fair value which is normally determined using the discounted value of future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a mineral property is impaired it is written down to its estimated fair value.

Ownership in mineral properties involves certain interest risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mineral properties. The Company has investigated ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

b) *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.

c) *Financial Instruments*

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants:

a) Section 3855 – Financial Instruments – Recognition and Measurement. Section 3855 requires that all financial assets, except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. Investments classified as available for sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments subject to significant influence are reported at cost and not adjusted to fair market value.

b) Section 1530 – Comprehensive Income. Comprehensive Income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Corporation's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available for sale securities which are not included in net income (loss) until realized.

c) The adoption of Section 3855 and 1530 had no impact on the opening equity and losses of the Company.

Disclosure Controls and Internal Control Over Financial Reporting

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the nine months ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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