

BEAR CREEK MINING CORPORATION

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 AND 2009

EXPRESSED IN US FUNDS

(Unaudited)

Bear Creek Mining Corporation
(An Exploration Stage Company)
Interim Consolidated Balance Sheets

Statement 1

US Funds
Unaudited

ASSETS	As at 31 March 2010	As at 31 December 2009
Current		
Cash and cash equivalents	\$ 35,758,181	\$ 36,356,216
Short-term investments <i>(Note 5)</i>	5,171,288	6,675,431
Prepaid expenses and advances	348,461	213,028
	<u>41,277,930</u>	43,244,675
Equipment <i>(Note 6)</i>	226,230	211,340
Resource Property Costs <i>(Note 7)</i>	88,701,872	88,120,343
	<u>\$ 130,206,032</u>	<u>\$ 131,576,358</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities <i>(Note 10)</i>	\$ 616,297	\$ 248,402
Due to Rio Tinto Mining and Exploration Limited <i>(Note 8)</i>	11,100,000	10,000,000
	<u>11,716,297</u>	10,248,402
Due to Rio Tinto Mining and Exploration Limited <i>(Note 8)</i>	22,414,957	23,107,887
Asset Retirement Obligation	300,000	300,000
Future Income Tax	21,138,462	20,707,554
	<u>55,569,716</u>	54,363,843
SHAREHOLDERS' EQUITY		
Share Capital <i>(Note 9(a))</i>		
Issued and fully paid:		
70,040,139 (2009 – 70,035,139 common shares)	131,690,254	131,680,335
Contributed surplus <i>(Note 9(b))</i>	15,168,683	14,475,144
	<u>146,858,937</u>	146,155,479
Deficit - <i>Statement 2</i>	<u>(72,222,621)</u>	(68,942,964)
	<u>74,636,316</u>	77,212,515
	<u>\$ 130,206,032</u>	<u>\$ 131,576,358</u>

Commitments *(Note 12)*

ON BEHALF OF THE BOARD:

Signed "Catherine McLeod-Seltzer", Director

Signed "Andrew Swarthout", Director

- See Accompanying Schedule and Notes -

Bear Creek Mining Corporation
(An Exploration Stage Company)

Statement 2

Interim Consolidated Statements of Loss, Comprehensive Loss and Deficit

For the Three Months Ended 31 March

US Funds

Unaudited

	2010	2009
Operating Expenses		
Exploration costs (<i>Exploration Costs Schedule</i>)	\$ 2,183,226	\$ 760,705
Stock-based compensation (<i>Note 9(c)</i>)	697,591	563,618
Wages and management salaries	228,119	67,360
Shareholder information and filing fees	82,722	48,739
Professional fees	61,096	72,425
Travel	60,052	32,947
General administrative expenses	41,245	35,468
Loss before the following	3,354,051	1,581,262
Other Income		
Foreign exchange (gain) loss	51,416	238,928
Interest income, net	(18,525)	(36,653)
(Gain) loss on investments	1,058	(4,327)
Loss before income tax	3,388,000	1,779,210
Future income tax recovery	(108,343)	(44,747)
Loss and Comprehensive Loss for the Period	3,279,657	1,734,463
Deficit - Beginning of Period	68,942,964	60,237,501
Deficit - End of Period	\$ 72,222,621	\$ 61,971,964
Loss per Share – Basic and Diluted	\$ 0.05	\$ 0.03
Weighted Average Number of Shares Outstanding	70,038,695	55,690,638

- See Accompanying Schedule and Notes -

Bear Creek Mining Corporation
(An Exploration Stage Company)

Statement 3

Interim Consolidated Statements of Cash Flow

For the Three Months Ended 31 March

US Funds

Unaudited

	2010	2009
Operating Activities		
Loss and comprehensive loss for the year	\$ (3,279,657)	\$ (1,734,463)
Items not affecting cash		
Stock-based compensation (Note 10(c))	697,591	563,618
Accrued interest income	(10,117)	-
Amortization included in exploration costs	15,430	16,476
Future income tax recovery	(108,343)	(44,747)
Amortization	486	624
Non-cash foreign exchange	151,589	(4,536)
	<u>(2,533,021)</u>	<u>(1,203,028)</u>
Changes in current assets and liabilities		
Prepaid expenses and advances	(125,316)	400,505
Accounts payable and accrued liabilities	390,497	(222,574)
Due to related parties	(22,602)	(9,781)
Cash used in operating activities	<u>(2,290,442)</u>	<u>(1,034,878)</u>
Investing Activities		
Purchase of equipment	(30,806)	(1,007)
Short-term investments redeemed	1,651,419	-
Cash provided by (used in) investing activities	<u>1,620,613</u>	<u>(1,007)</u>
Financing Activities		
Share capital issued – net	5,867	56,931
Cash provided by financing activities	<u>5,867</u>	<u>56,931</u>
Effect of exchange rate change on cash and cash equivalents	65,927	(127,758)
Net Decrease in Cash and Cash Equivalents	(598,035)	(1,106,712)
Cash and cash equivalents – Beginning of Period	36,356,216	12,774,486
Cash and Cash Equivalents – End of Period	\$ 35,758,181	\$ 11,667,774
Cash and cash equivalents consists of:		
Cash	\$ 12,973,395	\$ 824,457
Term Deposit	22,784,786	10,843,317
	<u>\$ 35,758,181</u>	<u>\$ 11,667,774</u>

Supplemental cash flow information (Note 13)

- See Accompanying Schedule and Notes -

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

31 March 2010

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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 creating value for shareholders by identifying economic mineralized deposits which can be sold or developed.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its exploration commitments, administrative overhead and maintain its mineral interests. The recoverability of amounts shown for resource properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to make the scheduled payments under the purchase agreement with Rio Tinto, complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

2. Significant Accounting Policies

The unaudited 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 annual audited consolidated financial statements for the year ended 31 December 2009.

3. Change in Accounting Policies

a) Business Combinations – Section 1582

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations" ("CICA 1582"), CICA 1582 requires that all assets and liabilities of an acquired business will be recorded at fair value at acquisition. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after 1 January 2011. Early adoption is permitted. The Company has elected to early adopt this standard effective on 1 January 2010. The adoption of this standard did not have any impact on the Company's consolidated financial statements.

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b) Consolidations and Non-Controlling Interest – Sections 1601 and 1602

In January 2009, the CICA issued Handbook Section 1601, “Consolidations” (“CICA 1601”), and Section 1602, “Non-controlling Interests” (“CICA 1602”). CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after 1 January 2011. Early adoption is permitted. The Company has elected to early adopt these standards effective on 1 January 2010. The adoption of this standard did not have any impact on the Company’s consolidated financial statements.

4. Financial Instruments

a) Fair value

The Company’s financial instruments consist of cash and cash equivalents, short-term investments, due to related parties, accounts payable and accrued liabilities and due to Rio Tinto. Cash and cash equivalents is carried at fair value using a level 1 fair value measurement and short term investments are carried at fair value using a level 1 fair value measurement. The carrying value of the due to related parties and accounts payable and accrued liabilities approximate their fair value because of the short term nature of these instruments. 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.

b) Management of capital risk

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders’ equity and amounts due to Rio Tinto.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or obtain debt financing. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company’s investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

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c) Management of financial risk

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

i. Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Peru and a portion of its expenses are incurred in Canadian dollars and Peruvian Soles. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and the Peruvian Soles to the US dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At 31 March 2010, the Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and Peruvian Soles:

	31 March 2010	
	Canadian Dollars	Peruvian Soles
Cash and cash equivalents and short term investments	7,571,578	141,242
Accounts receivable and other	18,484	25,542
Accounts payable and accrued liabilities	(336,782)	(232,622)
Future income tax	-	(60,680,068)

Based on the above net exposures as at 31 March 2010, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase/decrease of \$0.7 million in the Company's net earnings. Likewise, a 10% depreciation or appreciation of the US dollar against the Peruvian Soles would result in a decrease/increase of \$2.2 million in the Company's net earnings.

ii. Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit risk the Company is exposed to is 100% of cash, short term investments and other assets.

The Company's cash equivalents and short-term investments are held through large Canadian financial institutions. Short-term and long-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian banks. These investments mature at various dates over the current operating period. Other assets consist of GST receivable from the government of Canada and other receivables and prepaid expenses.

Bear Creek Mining Corporation*(An Exploration Stage Company)***Notes to Interim Consolidated Financial Statements****31 March 2010***US Funds**Unaudited*

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its operating commitments. The Company manages liquidity by maintaining adequate cash and cash equivalent balances to meet its short term commitments and by raising equity or debt financing as required to meet long term commitments. The Company has no assurance that such financing will be available or be available on favourable terms. The Company believes it is subject to material liquidity risk though its obligation to Rio Tinto (*Notes 1, 8 and 13(c)*). In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing from sales of common shares. The following table summarizes the remaining contractual maturities of the Company's financial liabilities and operating and capital commitments at 31 March 2010:

	(000s)					
	2010	2011	2012	2013	2014	Total
	\$	\$	\$	\$	\$	\$
Accounts payable	591	-	-	-	-	591
Due to related party	25	-	-	-	-	25
Asset retirement obligations	-	-	-	-	300	300
Rio Tinto debt	10,000	11,100	15,000	-	-	36,100
Operating leases	78	104	-	-	-	182
Totals	10,694	11,204	15,000	-	300	37,198

iv. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is limited because these investments are generally held to maturity. Based on the amount of cash and cash equivalents invested as at 31 March 2010 and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an increase/decrease of \$205,000 in the interest earned by the company per annum.

v. Price risk

The Company is subject to price risk from fluctuations in the market price of gold, silver, zinc and lead, which in turn is affected by numerous factors including central bank policies, producer hedging activities, the value of the US dollar relative to other major currencies, global demand and supply and global political and economic conditions. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The carrying value of the Company's mineral property costs could be adversely affected by any reductions in the long term prices of silver, gold, lead and zinc.

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5. Short-term Investments

All short term investments have been classified as held-for-trading. Details are as follows:

	31 March 2010	31 December 2009
Shares	\$ 26,754	\$ 27,812
Term deposits	5,144,534	6,647,619
Total short-term investments	\$ 5,171,288	\$ 6,675,431

Term deposits included in short term investments have maturities of greater than three months but less than one year and are cashable at any time. These earn interest at 0.65% which is based on current market interest rates.

6. Equipment

Details are as follows:

	31 March 2010			31 December 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 29,162	\$ 22,584	\$ 6,578	\$ 29,162	\$ 22,133	\$ 7,029
Exploration equipment	532,209	312,557	219,652	501,403	297,092	204,311
	\$ 561,371	\$ 335,141	\$ 226,230	\$ 530,565	\$ 319,225	\$ 211,340

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7. Resource Property Costs

Cumulative resource expenditures, per project under active exploration as at 31 March 2010, are as follows:

Cumulative capitalized acquisition costs

	Corani Project	Santa Ana Project	Total
Balance at 31 December 2008	\$ 85,009,111	\$ 100,000	\$ 85,109,111
Adjustment for future income tax	903,369	-	903,369
Accretion of purchase liability (Note 8)	2,107,863	-	2,107,863
Balance at 31 December 2009	\$ 88,020,343	\$ 100,000	\$ 88,120,343
Adjustment for future income tax	174,459	-	174,459
Accretion of purchase liability (Note 8)	407,070	-	407,070
Balance at 31 March 2010	\$ 88,601,872	\$ 100,000	\$ 88,701,872

Cumulative exploration and maintenance costs

Balance at 31 December 2008	\$ 17,964,661	\$ 10,076,588	\$ 28,041,249
Exploration costs – Exploration Costs Schedule	2,586,872	1,832,383	4,419,255
Balance at 31 December 2009	\$ 20,551,533	\$ 11,908,971	\$ 32,460,504
Exploration costs – Exploration Costs Schedule	575,024	1,161,198	1,736,222
Balance at 31 March 2010	\$ 21,126,557	\$ 13,070,169	\$ 34,196,726
Combined Balance at 31 March 2010 – capitalized and expensed project costs	\$ 109,728,429	\$ 13,170,169	\$ 122,898,598

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 had the right to earn a 70% interest in the Corani property located in southeastern Peru, subject to Rio Tinto’s claw-back right, for total payments of \$5.4 million. By 31 December 2007, the Company had incurred payments of \$2.4 million of which \$2 million were capitalized as acquisition costs. The final option payment of \$3 million was paid in January 2008 upon which the Company earned a 70% interest and the agreement converted to a joint venture in which Rio Tinto had a participatory 30% interest.

On 6 March 2008 and subsequently amended, Bear Creek entered into an agreement (the “Purchase And Sale Agreement”) with Rio Tinto to purchase Rio Tinto’s remaining 30% interest in the Corani Project and extinguish all of Bear Creek’s future payment obligations, royalties and Rio Tinto’s back-in rights under the existing option agreement. Bear Creek agreed to pay Rio Tinto \$47.2 million and to issue Rio Tinto 3,991,000 common shares as follows: (i) 3,991,000 Bear Creek common shares (issued on 17 July 2008); (ii) \$5 million in cash payable by 31 December 2008 (paid); (iii) \$1.1 million in March 2009 (paid) (iv) \$5 million in cash payable by 31 December 2009 (paid); (v) \$10.0 million in cash payable by 31 December 2010; (vi) \$1.1 million in January 2011; (vii) \$10.0 million in cash payable by 30 September 2011; (viii) \$15.0 million in cash payable by 30 June 2012. In addition to the above, the Company may be required to make an additional

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payment of up to \$1.5 million as a transaction fee to a third party related to this acquisition. The Company has disputed this transaction fee and believes that the claim for the transaction fee is without merit.

The balance of the purchase price is secured by a General Security Agreement ("GSA"), which covers all of the assets of the Company, in favour of Rio Tinto in addition to a mortgage on the Corani property, subordinated to future project financing. Upon the Company making its next payment of \$10 million, the GSA is terminated. The value of the resource property acquired is calculated as the present value of the future cash flows. The present value is being accreted with the accretion expense being capitalized to the resource property cost as the property is not yet ready for commercial production. In addition, the legal and finance charges associated with the acquisition have been capitalized to the cost of the project.

b) Santa Ana Project

During 2004, the Company acquired an option to earn a 100% interest in the Santa Ana property in south eastern Peru. The property is subject to payments totalling 3% of direct exploration expenditures to a maximum lifetime payment of \$280,000, of which \$215,607 has been expensed to 31 March 2010. The Company exercised its option in January 2008 and now holds a 100% interest in the Santa Ana project.

c) New projects

On January 7, 2010 the Company announced the option to acquire the Campanario prospect. A 100% interest in the prospect may be acquired following back-end loaded payments totaling \$2.7 million over three years subject to a 3% NSR royalty which is purchasable following completion of a positive feasibility study.

8. Due to Rio Tinto

Due to Rio Tinto - 31 December 2008	\$	37,100,024
Accretion on obligation to Rio Tinto		2,107,863
Less: share payment for debt made to Rio Tinto <i>(Note 7a)</i>		(1,100,000)
Less: payment made to Rio Tinto		(5,000,000)
Due to Rio Tinto – 31 December 2009	\$	33,107,887
Accretion on obligation to Rio Tinto		407,070
Due to Rio Tinto – 31 March 2010	\$	33,514,957
Less: Current amount		(11,100,000)
	\$	22,414,957

On 27 February 2009, the agreement with Rio Tinto was amended *(Note 7a)*. Under EIC 122, the Company has recorded the amount owing to Rio Tinto on the balance sheet as a current and long term liability as at 31 March 2010 based upon the amended agreement.

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According to amended agreement, the remaining principal payments are as follows:

	\$
On signing of amendment agreement (paid by issuance of shares) (<i>Note 8a</i>)	1,100,000
31 December 2009 (paid)	5,000,000
31 December 2010	10,000,000
10 January 2011	1,100,000
30 September 2011	10,000,000
30 June 2012	15,000,000

These payments are non-interest bearing. The Company has provided a GSA, which covers all of the assets of the Company, in favour of Rio Tinto in addition to a mortgage on the Corani property, subordinated to future project financing. The GSA terminates upon the Company paying the \$10 million payment due on or before 31 December 2010. Payment obligations subsequent to 2010 are secured by the Corani Project, subordinated to future project financing.

The Company has applied the debt extinguishment tests prescribed under EIC 88 ("Debtors Accounting for a Modification or Exchange of Debt Instruments") to the revised and original cash flows arising from the amended and original debt agreement cash flows and has concluded that the debt agreement amendments did not result in the recognition of a new debt instrument at either amendment date but were renegotiations of the original debt agreement.

9. 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 2008	55,457,023	\$	89,105,173
Shares issued for debt (<i>Notes 8a and 9</i>)	1,021,266		1,100,000
Shares issued for stock options exercised	952,850		909,591
Shares issued in private placement	12,604,000		42,769,477
Share issuance costs	-		(2,867,410)
Fair value of options exercised	-		663,504
Balance – 31 December 2009	70,035,139	\$	131,680,335
Shares issued for stock options exercised	5,000		5,867
Fair value of options exercised	-		4,052
Balance – 31 March 2010	70,040,139	\$	131,690,254

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b) Details of Contributed Surplus:

	31 March 2010	31 December 2009
Balance – Beginning of Period	\$ 14,475,144	\$ 13,516,211
Fair value of stock-based compensation	697,591	1,622,437
Fair value of stock options exercised	(4,052)	(663,504)
Balance – End of Period	\$ 15,168,683	\$ 14,475,144

c) Share Purchase Options

On May 22, 2008, shareholders approved an incentive stock option plan (the “Plan”), whereby the Company may grant stock options to directors, officers, employees or consultants. The Plan provides that the aggregate number of Shares reserved for issuance under the Plan which may be made subject to Options at any time and from time to time (including those issuable upon the exercise of Pre-Existing Options) shall not exceed 10% of the total number of issued and outstanding Shares, on a non-diluted basis, as constituted on the Grant Date of such Options. At 31 March 2010, a total of 5,658,829 options were reserved under the Plan with 1.5 million options available for granting. Under the Plan, options are exercisable over periods of up to 10 years as determined by the Board of Directors and are required to have an exercise price no less than the closing market price of the Company's shares on the trading day immediately preceding the day on which the Company announces the grant of options. The Plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule in its discretion, subject to the Exchange's minimum vesting requirements, if any.

	Number of options	Weighted average exercise price (in CDN\$)
Options outstanding at 31 December 2008	3,347,850	3.60
Exercised	(952,850)	1.02
Forfeited	(114,000)	7.40
Granted	1,641,000	1.95
Options outstanding at 31 December 2009	3,922,000	3.43
Exercised	(5,000)	1.24
Forfeited	(35,000)	1.24
Granted	240,000	4.12
Options outstanding at 31 March 2010	4,122,000	3.49

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The weighted average life of the options outstanding at 31 March 2010 is 2.4 years. A summary of the Company's options as at 31 March 2010 is as follows:

	Number	Price per Share	Expiry Date
Options			
	701,000	Cdn\$3.00	5 August 2010
	735,000	Cdn\$3.00	5 August 2010
	100,000	Cdn\$4.75	1 April 2010
	100,000	Cdn\$4.60	31 May 2011
	53,000	Cdn\$8.08	22 August 2011
	445,000	Cdn\$7.99	16 May 2012
	40,000	Cdn\$7.99	1 April 2010
	150,000	Cdn\$4.95	2 July 2013
	1,058,000	Cdn\$1.24	27 January 2014
	100,000	Cdn\$1.90	18 August 2014
	400,000	Cdn\$4.00	14 October 2014
	240,000	Cdn\$4.12	8 March 2015
	4,122,000		

As at 31 March 2010 3,327,500 options have vested.

During the three months ended 31 March 2010, the Company granted to employees of the Company options to purchase up to 240,000 common shares of the Company at an exercise price of C\$4.12 per share. The estimated fair value of the stock options granted during the three months ended 31 March 2010 were valued at C\$644,160 (\$626,381) using the Black-Scholes option pricing model, based on the following assumptions:

	2010	2009
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	82.15%	97.96%
Risk-free interest rate	2.26%	2.03%
Expected life of options	5 years	5 years

Option pricing models require the input of highly subjective assumptions including the expected 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.

The stock-based compensation recorded in the current period of \$697,591 relates to current and prior period grants. A total of \$821,863 remains to be recorded subsequent to 31 March 2010 on options which have yet to vest.

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10. Related Party Transactions

The following represents the details of related party transactions paid or accrued during the three months ended 31 March:

	2010		2009
Consulting fees paid to a director of the Company	\$ 17,500	\$	12,500
Legal fees paid to a firm in which a director of the Company is a partner	\$ -	\$	1,599
Legal fees paid to a firm in which an officer of the Company is a partner	\$ 19,864	\$	36,905
Accounting fees paid to a firm in which an officer of the Company is a partner	\$ 25,807	\$	21,576

Amounts owing to related parties are unsecured, non-interest bearing and payable on demand. Included in accounts payable and accrued liabilities at 31 March 2010 there was \$24,816 (2009 - \$47,418) owing to related parties.

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. Any consulting fees are included in wages and management salaries, and any legal or accounting costs are included in professional fees.

11. 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 Peru and of the Company's assets, \$89,218,868 (2009 - \$88,775,356) are located in Peru. All other assets and expenses are located in Canada.

12. Commitments

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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13. Supplemental cash flow information

Schedule of non-cash investing and financing transactions	2010	2009
Fair value of options and warrants exercised <i>(Note 9(a))</i>	\$ 4,052	\$ 47,579
Shares issued for Corani Resource property <i>(Notes 6(a) and 9(a))</i>	\$ -	\$ 1,100,000

Supplementary disclosure of cash flow information:	2010	2009
Cash received for interest	\$ 9,875	\$ 38,153

14. Comparative figures

Certain of the comparative figures were reclassified, where applicable, to be consistent with the presentation used in the current year.

Consolidated Schedules of Exploration Costs

For the Three Months Ended 31 March

US Funds

Unaudited

	2010	2009
Corani		
Drilling	\$ 186,775	\$ -
Engineering and consulting	144,062	97,495
Travel	91,077	69,687
Supplies and general	82,454	26,109
Salaries and consulting	54,012	45,693
Assaying and sampling	10,913	-
Geophysics	5,731	-
Maintenance costs	-	9,494
	<u>575,024</u>	<u>248,478</u>
Santa Ana		
Engineering and consulting	323,272	64,309
Supplies and general	281,488	16,947
Drilling	177,247	-
Travel	159,903	12,075
Salaries and consulting	139,782	34,140
Maintenance costs	68,496	41,324
Assaying and sampling	6,019	2,822
Geophysics	4,991	-
	<u>1,161,198</u>	<u>171,617</u>
Generative		
Salaries and consulting	88,762	206,241
Travel	29,093	22,262
Supplies and general	26,636	47,315
Assaying and sampling	14,143	9,326
Maintenance costs	8,789	10,031
Geophysics	3,209	1,324
	<u>170,632</u>	<u>296,499</u>
Other Properties		
	<u>75,031</u>	<u>4,761</u>
IGV		
	<u>201,341</u>	<u>39,350</u>
Costs for the Year		
	<u>\$ 2,183,226</u>	<u>\$ 760,705</u>

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

Our Management's Discussion and Analysis

Introduction

Prepared 17 May 2010 for the three months ended 31 March 2010. 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 audited annual consolidated financial statements for the year ended 31 December 2009. 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, exploring, and developing 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

The information contained herein contains "forward-looking statements" within the meaning of applicable Canadian securities legislation. Forward-looking statements relate to information that is based on assumptions of management, forecasts of future results, and estimates of amounts not yet determinable. Any statements that express predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be "forward-looking statements." Statements concerning reserves and mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed, and in the case of mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited.

Forward-looking statements are subject to a variety of risks and uncertainties, which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation: risks related to failure to obtain adequate financing on a timely basis and on acceptable terms; political and regulatory risks associated with mining and exploration; risks related to environmental regulation and liability; the potential for delays in exploration or development activities or the completion of feasibility studies; the uncertainty of profitability based upon the Company's history of losses; risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits; risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; results of prefeasibility and feasibility studies, and the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; risks related to gold price and other commodity price fluctuations; mining and

development risks, including risks related to accidents, equipment breakdowns, labour disputes or other unanticipated difficulties with or interruptions in production; and other risks and uncertainties related to the Company's prospects, properties and business detailed elsewhere in this MD&A. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Investors are cautioned against attributing undue certainty to forward-looking statements. The Company does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

Current Status

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

On March 15, 2010 the Company announced an update on Santa Ana and Corani, as well as plans to commence drill programs on its Tassa and Campanario projects. On Santa Ana, four two drills are currently deployed to complete step-out drilling, resource in-fill drilling, geotechnical drilling for completion of the feasibility study and leach pad condemnation drilling. On the Corani project, ten metallurgical core drill holes have been completed in November 2009 which were designed to provide final test sample composites specifically targeted at the first five years of mine production. Sample composites have been selected and final metallurgical testing specifically evaluating the first six years of production is to commence in May 2010. The test work will utilize the standard flotation procedures as indicated in the Prefeasibility Study, with a focus on further optimization of recoveries and concentrate grades. Santa Ana and Corani continue towards feasibility with completion expected in September 2010 and mid-year 2011, respectively.

On March 12, 2010 the Company announced the appointment of Mr. Elsiario Antunez as General Manager of its Peruvian operations. Mr. Antunez was previously the Director of Operations for Southern Copper Corporation's ("SCC") Cuajone mine and concentrator complex, one of the largest mines in Peru. The Company also announced the appointment of Tony Balestrini as Manager of Corporate Affairs. Mr. Balestrini provides extensive experience in the fields of community and government relations, land acquisition, and permitting as a result of his successful involvement in building Barrick's Pierina and Lagunas Norte mines and the advancement of Peru Copper's Toromocho Project.

On January 7, 2010 the Company announced the option to acquire the Campanario prospect and announced its exploration program for its Tassa prospect. Campanario is an untested mesothermal gold-silver prospect located within the prolific belt containing the Alto Chicama/Lagunas Norte, Santa Rosa, and La Arena gold deposits southeast of Trujillo, Peru. A 100% interest in the prospect may be acquired following back-end loaded payments totaling \$2.73M over three years subject to a 3% NSR royalty which is purchasable following completion of a positive feasibility study. The Tassa prospect (100% interest held by the Company), located southeast of Arequipa, was acquired by staking of mineral rights. The Tassa silver-gold prospect is undergoing exploration permitting with Phase I drilling expected to begin in late May 2010. Tassa is located approximately 16 kilometers from Chucapaca, currently under exploration by the Goldfields - Buenaventura joint venture where drilling has intercepted up to 127 meters averaging 8.55 g/t gold in a similar geologic setting and mineralization reportedly remains open. Tassa is similar in size (approximately 300m by 1 km by 200m vertical), geochemistry, silver leaching amenability and geologic setting to the Company's Santa Ana deposit. The exploration program for Tassa will consist of IP /resistivity surveys and further

geologic mapping and sampling will be initiated in the second quarter of 2010 with drilling of an estimated 2,000 meter Phase I drilling program to be completed in the second quarter of 2010.

Activities on Mineral Projects

Current efforts are focused primarily on the advancement of the Corani and Santa Ana silver (lead-zinc) projects, both of which have progressed to feasibility studies. The Company continues to explore for additional gold and silver prospects in Peru. Base metals exploration prospects of potential are also considered, although the Company tends to seek partners for prospects that do not have a significant precious metals component. 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 feasibility study, 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 from third parties, and many in preliminary evaluation to decide if property ownership is possible or desired. Due to the generative nature of Bear Creek's business, a portion 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

The 100% owned Corani Project is approximately 160 kilometers in a direct line southeast of Cusco, Peru. The Corani Project consists of twelve mineral claims or mineral concessions that form a contiguous block of ground covering a total of 5,700 hectares.

Current Developments at Corani

Based upon the positive Prefeasibility Study ("PFS") for the Corani silver-lead-zinc deposit located in southern Peru (see PFS summary below), the Company has initiated Feasibility-level work. The Company is currently in the final selection process for an environmental consultant that will start the detailed baseline environmental studies that will be needed to complete a Environmental Impact Study. Detailed feasibility metallurgical test work is proceeding on the project wide grinding characterization and further flotation optimization on samples that were recently drilled in the pits that will produce ore for the first 5 years of operation. The Company is also proceeding with land purchasing and relocation.

PFS Summary- On 14 September 2009, the Company announced the results of its PFS, as defined by NI-43-101 for the Corani silver-lead-zinc deposit. Highlights of this study include:

- The net present value is estimated at \$348 million at a 5% discount rate and the after tax internal rate of return for the project is 25%
- Proven and Probable Mineral Reserves containing 258 million ounces of silver, plus 2.9 billion pounds of lead and 1.4 billion pounds of zinc.
- Average annual saleable silver production estimated at 10 million ounces per year for first 6 years, 6.4 million ounces per year ("opy") for the life of the mine (LOM). On a silver equivalent ounce basis, 17.1 million opy for the first six years and 12 million opy for the life of the project
- Project produces two highly-marketable concentrates

- Cash costs per ounce of silver are estimated to be \$1.06 per for the first 10 years and \$2.87 per ounce over the life of the mine (net of base metal credits)
- Metals price assumptions; \$13/oz Ag, \$0.70 Pb, and \$0.65 Zn
- Capital costs estimated at \$339 million with Capital Payback in less than three years
- Life of Mine 27 years
- Mill capacity 15,000 tonne per day
- Stripping ratio of 1.56:1 (Waste:Ore)
- Feasibility Study to be initiated

Project summary - The project has an after-tax internal rate of return (IRR) of 25%, net present value of \$348 million at a 5% discount rate and an EBITDA of \$1.8 billion based upon metals prices of \$13 per ounce silver, and \$0.70 and \$0.65 per pound of lead and zinc, respectively. Based on the spot metal prices of April 27, 2010 (\$18.35 Silver, \$1.05 Lead and \$1.09 Zinc) the project has a net present value of \$923 million and an internal rate of return of 47%.

Recovered silver production in the first six years averages 10 million ounces/year and the project will produce an average of 6.4 million payable ounces of silver, 73 million pounds of lead and 32 million pounds of zinc annually over a 27 year mine-life. Life of mine cash cost per ounce of silver is \$2.87, net of base metals credits and \$1.06 per ounce silver for the first 10 years. Pre-production capital investment in the project is estimated to be \$339 million and sustaining capital expenditures are estimated at an average \$13.1 million per year over the 27-year life of the mine. Based upon the aforementioned metals prices, the project achieves payback of capital in 2.9 years. The Prefeasibility Study has been prepared using cost bids and estimates and production forecasts provided by qualified engineering consulting groups and the economic analysis was done in conjunction with Bear Creek's financial advisor. The study describes the project as buildable using conventional mining and processing technology.

PREFEASIBILITY STUDY

The reserve and resource estimates were updated for the PFS by Independent Mining Consultants (IMC), Tucson, AZ. Samuel Engineering, Denver, Colorado and Vector Engineering, Lima ("Vector"), Peru co-lead the study with support from Resource Development Inc.(RDI) (Metallurgy), and SGS Vancouver (Metallurgical Testing). All are independent preminent engineering and metallurgical testing firms with recent mine development and operating experience in Peru.

The PFS, which is dated effective Monday 14 September 2009, is based upon mining assumptions derived from mine planning sequences completed by IMC and metallurgical test work performed by SGS Laboratories and G&T Metallurgical. The mining sequence primarily derives ore from the higher-grade starter pits in the early years and moves to lower-grade areas in the later years of production. Operations are anticipated to be 27 years based on current reserves. Only measured and indicated resources were used when defining the operations plan when converting resource to reserves. Note that in the mine sequence, only 258 million ounces contained within 139.6M tonnes have been used as reserve in this plan. An additional 110.4M tonnes of measured and indicated resource (containing 71.8 million ounces of silver) and 34.2 million tonnes of inferred resource (containing 35.6 million ounces of silver) remain that could be included in later plans of operations should metals prices and/or operating parameters (recoveries) improve.

Key Assumptions for the Corani Project – Base Case	
Item	
Annual ore production – years 1 to end of life (tonnes)	5,250,000
Overall Process Recovery – Silver – Into both Lead and Zinc Cons	74.5%
Overall Process Recovery – Lead – Into Lead Cons	71.7%
Overall Process Recovery – Zinc – Into Zinc Cons	71.3%
Total Processed Tonnes	139,623,000
Average Silver Grade (g/t)	57.5 g/t
Average Lead Grade (%)	0.94%
Average Zinc Grade (%)	0.46%
Payable ounces of silver net of Smelter payment terms (total)	173.9 million
Payable pounds of lead net of Smelter payment terms (total)	1.97 billion
Payable pounds of zinc net of Smelter payment terms (total)	856 million
Overall stripping ratio	1.56 to 1
Life of mine (mining only) years	24
Life of mine (processing) years	27

Resource prices determined in the resource model of August 2009 utilizing three-year backward and two-year forward metals prices weighted 60:40 were maintained for the PFS as is consistent with the Company's policy and industry standards.

The PSS recommends proceeding to a bankable feasibility study based upon:

- Positive economics with exposure to upside silver and base metals prices
- Well-defined resources open to expansion and conversion to reserves
- Favorable infrastructure; tailings storage, power and access
- Available local water supply
- Well-defined permitting path
- Local community acceptance

PROJECT ECONOMICS

Sensitivities to various parameters are summarized below:

Case	IRR	NPV @ 5%	NPV @ 0%
Base Case	25%	\$348 M	\$683 M
Recovery +10%	30%	\$466 M	\$909 M
Recovery -10%	19%	\$229 M	\$457 M
Metal Price +10%	30%	\$479 M	\$936 M
Metal Price -10%	19%	\$210 M	\$420 M
Initial Capital Cost +10%	22%	\$316 M	\$636 M
Initial Capital Cost -10%	29%	\$379 M	\$731 M
Operating Cost +10%	23%	\$294 M	\$570 M
Operating Cost -10%	27%	\$401 M	\$797 M
Metal Prices Sep 11, 2009	41%	\$757 M	\$1,468 M

Note: Base case prices are \$13.00/oz Silver, \$0.70/lb Lead, \$0.65/lb Zinc; Spot prices are from September 11, 2009 and were \$16.85/oz Ag, \$0.97/lb. Pb and \$0.86/lb. Zn

RESERVE and RESOURCE ESTIMATE

Bear Creek Mining, Corani Project Silver Zone Mineral Reserves and Resources 22 August 2009

Mineral Reserves, \$9.10 NSR cut-off									
Category	Ktonnes	Contained Metal			Equivalent Ounces				
		Silver Gm/t	Lead %	Zinc %	Silver Million Ozs	Lead Million Lbs	Zinc Million Lbs	Eq. Silver Million Ozs	Eq. Silver Gm/t
Proven	27,957	70.2	1.08	0.59	63.1	665.7	363.6	115.0	127.9
Probable	111,666	54.3	0.90	0.43	194.9	2,215.6	1,058.6	360.3	100.4
Proven + Probable	139,623	57.5	0.94	0.46	258.0	2,881.3	1,422.2	475.3	105.9

Mineral Resources in Addition to Reserves, \$7.85 NSR cut-off									
Category	Ktonnes	Contained Metal			Equivalent Ounces				
		Silver Gm/t	Lead %	Zinc %	Silver Million Ozs	Lead Million Lbs	Zinc Million Lbs	Eq. Silver Million Ozs	Eq. Silver Gm/t
Measured	10,791	16.7	0.43	0.45	5.8	102.3	107.1	16.2	46.8
Indicated	99,626	20.6	0.45	0.39	66.0	988.4	856.6	158.2	49.4
Measured + Indicated	110,417	20.2	0.45	0.40	71.8	1,090.7	963.7	174.4	49.1
Inferred	34,215	32.4	0.54	0.34	35.6	407.3	256.5	69.0	62.7

Note: Silver Equivalency calculation represents the contained equivalent silver ounces sent to concentrate and is based on the resource metal prices assumptions of \$13.00/oz Ag, 0.70/lb Pb and 0.65/lb Zn and recoveries to concentrate of 74.5% for silver and 71.7% for lead and 71.3% for zinc. The calculation does not take into account the net smelter payment terms for the different metals in the two separate concentrates. The resulting equivalency is 1 oz Ag = 19.3 lb Pb and 1 oz Ag = 20.9 lb Zn.

The PFS is based upon an updated resource estimation and mine sequencing performed in August 2009 by IMC based upon 93,577 meters of drilling and sampling in 544 diamond drill holes and trenches completed through August 2009. The Company employs a Net Smelter Return (NSR) method to determine the break between ore and waste, with the cutoff NSR being \$9.10 per tonne. Measured and Indicated Resources contained within the pre-feasibility study design pit were used to determine final pit limits and thus converted respectively into Proven and Probable Reserves.

Metallurgical testing - The Company has completed metallurgical optimization tests on two master composites in order to define recoveries for the purposes of the PFS reserve calculation.

The specific grade and recovery parameters used for the flotation ores, the life-of-mine overall recoveries and concentrate grades are tabulated below.

**Bear Creek Mining, Corani Project Silver Zone
Average Recoveries and Concentrate Grades of the Life of the Project**

Average Recovery And Con Grades LOM						
	Lead Con			Zinc Con		
	Pb	Zn	Ag	Pb	Zn	Ag
Recovery	71.7%	8.7%	60.8%	5.0%	71.3%	13.7%
Average Con Grades	56.8%	3.4%	2.9 kg/t	6.9%	52.3%	1.3 kg/t

MINING AND MILLING

Mining will be performed using conventional open pit methods using 90t trucks and 12m³ wheel loaders mining on 8 meter high benches. The mine requires minimal pre-production waste stripping of 10.8 million tonnes.

Processing of the ore will be by conventional flotation recovery methods. The ore will be crushed close to the mine and the material conveyed to the processing plant where it will be ground to 80% passing 106 microns in a SAG/Ball mill circuit. The material will then be floated with the rougher concentrates being reground to 80% passing 35 microns prior to cleaning to produce high-value separate lead-silver and zinc concentrates. Concentrates will be trucked to the Port of Maturani for ocean shipment to smelters.

CAPITAL COSTS

The project capital cost estimate has been prepared by three independent engineering companies. The mining cost were prepared by Independent Mining Consultants of Tucson, Arizona, the Process and part of the infrastructure capital cost has been prepared by Samuel Engineering of Denver, Colorado and the Tailings and remaining infrastructure costs have been prepared by Vector Peru. The initial startup capital is estimated to be \$339 million and the total life of mine capital cost is estimated to be \$693 million. The capital costs include detailed long-term plans for tailing dam expansions as well ongoing capital and mine closure.

OPERATING COSTS

Mining costs were prepared on a year by year basis with costs varying mostly due to changing haulage distances. The life-of-mine average mining costs are estimated to be \$1.50 per tonne of the total material moved. The process costs are estimated to be \$7.30 per tonne of process ore and the general and administrative costs is estimated to be \$1.20 per process tonne or \$6.3 million per year.

INFRASTRUCTURE

The project has favorable infrastructure. Access will be via a new 63 km road to be built over flat topography resulting in low construction costs. The new road will connect to the Intercoastal Highway; a two-lane, paved highway connecting to the port of Maturani. The mine is 30 km from a new high-voltage power line with abundant capacity to meet the project needs. The project has an excellent site for tailings storage resulting in a low capital and operating cost

as the plant will be located immediately adjacent to the tailings pond. The site is also located in the upper part of the Atlantic drainage and as such there are several surface and underground water source alternatives.

ENVIRONMENTAL AND SOCIAL

The project has been designed to meet international standards of environmental compliance. The tailing storage facility has been designed to the highest standards of containment and stability. The waste rock storage facilities are designed to capture and manage any flows that may originate from the waste rock. Finally an initial closure plan has been developed that will provide covers for both the tailing storage and waste rock facilities that will result in safe and environmentally compliant closure of the mine. The Company has maintained good working relationships with the local communities.

The foregoing disclosure regarding the Corani project contains forward-looking statements that are based on a number of assumptions which may prove to be incorrect, including but not limited to: the availability of financing of the Company's Corani project; the Company's ability to attract and retain skilled staff; the estimated timeline for the development of the Corani project; the supply and demand for, and the level and volatility of the price of silver, lead and zinc; the timing of the receipt of regulatory and governmental approvals, the supply and availability of consumables and services; the accuracy of the Company's resource and reserves estimates and the geological and metallurgical assumptions (including the size, grade and recoverability of mineral resources and reserves) and operational and price assumptions on which the resource estimates are based; market competition; the Company's ongoing relations with its employees and local communities; and general business and economic conditions. There is also no certainty that the results of the pre-feasibility study will ever be realized. Should one or more of the risks or uncertainties involved in forward-looking statements relating to the pre-feasibility study materialize, or should the assumptions underlying the pre-feasibility study prove incorrect, actual results of the pre-feasibility study may vary materially from those anticipated, believed, estimate or expected.)

OPPORTUNITIES

The PFS has identified areas of opportunities that will be analyzed in later engineering studies and test work:

- Increase throughput while maintaining much of the same low start-up cost infrastructure.
- Investigate the use of contract mining to reduce the start-up and sustaining capital
- As the sensitivity analysis shows, the project is very sensitive to metallurgical recoveries. The Company and its consultants will continue metallurgical optimization test work, which may further improve the metal recoveries and concentrate grades.

The PFS has been filed and is available for viewing on SEDAR.

During the three months ended 31 March 2010, the Company incurred exploration expenditures of \$0.6 million on the Corani project. Included in this total are drilling costs of \$0.2 million, salaries and consulting costs related to the Feasibility Study of \$0.14 million, travel costs of \$0.1 million and supplies and general costs of \$0.1 million.

As at 31 March 2010, the Company had \$88.6 million of capitalized acquisition costs related to the Corani project (31 December 2009 \$88.0 million).

Santa Ana Project

Santa Ana is located 140 kilometers south of the city of Puno, 7 kilometers south of the paved highway connecting to the port of Ilo, Peru. Bear Creek holds a 100% interest in 5,400 hectares covering the mineral deposits, all surrounding exploration potential, and necessary project infrastructure.

In April 2009, the Company completed its scoping study, incorporating a preliminary economic assessment (“PEA”) as defined by NI-43-101 based on the latest resource estimate for the Santa Ana silver deposit. The study concluded:

- The net present value of 100% of the Santa Ana project is estimated at \$55 million at a 7% discount rate and an internal rate of return for the project of 29%.
- The undiscounted after tax NPV is estimated at \$115 million.
- Over the 11.8 year mine life the average annual production of silver will be 4.6 million ounces. With an average of 5 million ounce of silver production per year for the first 6 years of the operation.
- The total Measured and Indicated resources have increased 19% to 66.8 million tonnes at 45.5 g/t silver containing 97.7 million ounces of silver.
- Cash cost is estimated at \$7.47 per ounce silver.
- Capital cost is estimated at \$51 million with a 2.6 year payback
- PEA focuses on only 42.4MT grading 56.7 g/t silver (includes 25% inferred resources), leaving upside for expansion and high leverage to silver prices.

The PEA assumes a 10,000 tonnes per day mining rate utilizing contract mining, two-stage mobile crushers, cyanide leaching, and Merrill-Crowe recovery to produce a high-grade silver dore product. Recovered silver production in the first six years is 5.0 million ounces per year and the project will produce an average of 4.6 million ounces of silver annually over an 11.8 year mine-life based upon the current resource estimate. The resource remains open in three directions laterally and at depth. Cash cost per ounce of silver is \$7.47. Capital investment in the project is estimated to be \$51M including feasibility study, engineering, permitting and Environmental and Social Impact Assessment (“ESIA”) costs. Based upon \$13 per ounce silver, the project achieves payback of capital in 2.6 years. The PEA has been prepared using cost estimates and production forecasts provided by independent qualified engineering consulting groups, led by Independent Mining Consultants, Tucson, AZ. Heap leach and infrastructure costs were provided by Vector Engineering, Lima, Peru and process costs were provided by Resource Development Inc., Denver, CO.

The PEA is based upon mining assumptions derived from mine planning sequences completed by IMC and metallurgical test work performed by McClelland labs and reviewed by Resource Development Inc. The mining sequence derives ore from the higher-grade near surface parts of the deposit throughout the mine life and leaves 33.7 tonnes of measured and indicated tonnes of ore and 16.3 tonnes of inferred ore behind that could be produced by reduction of cutoff and extension to mine life should metal prices increase. The site infrastructure can easily be expanded to accommodate the inclusion of all the resources should economic conditions warrant the expansion of the project above what is shown in the PEA plan. All resource categories were used, including Inferred resources. Note that in the mine sequence, only 42.3M tonnes of the 92.3M contained in the global resource tonnes are processed.

Key Assumptions for the Santa Ana Project – Base Case	
Item	
Annual ore production – years 1 to end of life (tonnes)	3,600,000
Overall Process Recovery – Silver	70%
Total Processed Tonnes	42,350,000
Average Silver Grade (g/t)	56.7 g/t
Recovered ounces of silver (total)	54.0 million
Overall stripping ratio	2.0 to 1
Life of mine (processing) years	11.8

Sensitivity to silver prices- The following represents plus/minus 10% silver price variance from the \$13 per ounce study assumption:

Silver Price	IRR	NPV (7%)
\$13	29%	\$55M
\$14.30	39%	\$83M
\$11.70	19%	\$28M

Note: in accordance with NI43-101, mineral resources that are not mineral reserves do not have demonstrated economic viability. The preliminary assessment includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized.

The Scoping Study/PEA is based upon an updated resource estimation and mine sequencing performed in April 2009 by IMC based upon 55,575 meters of drilling in 306 diamond drill holes completed through December 2009. For the global resource, a metal price of \$13 per ounce was used for silver and the resource is contained within a pit that was defined using prudent operating assumptions. No recovery of lead and zinc is assumed in the definition of the resource or PEA pits as lead and zinc are not recovered using cyanide extraction. To determine the final pit limits for the production schedule for the scoping study \$10 per ounce for silver was used. This results in a production plan that generates higher grades and less tonnes than the global resource. The mine sequencing assumptions used in the PEA are considered to be conservative according to current engineering standards; therefore, significant silver contained in the global resource may represent up-side potential if process recoveries are improved and/or metals prices warrant.

The current resource estimates are:

**Bear Creek Mining, Santa Ana Project
Mineral Resource Based on 20 g/t Ag cut-off and Prudent Open Pit Constraints
2 April 2009**

Deposit	Category	Ktonnes	Contained Metal					
			Silver Gm/t	Lead %	Zinc %	Silver Million Ozs	Lead Million Lbs	Zinc Million Lbs
Santa Ana	Measured	14,240	48.8	0.35	0.64	22.3	109.9	200.9
	<u>Indicated</u>	<u>52,597</u>	<u>44.6</u>	<u>0.32</u>	<u>0.55</u>	<u>75.4</u>	<u>371.1</u>	<u>637.8</u>
	Meas+Ind	66,837	45.5	0.33	0.57	97.7	481.0	838.7
	Inferred	25,454	50.6	0.36	0.52	41.4	202.0	291.8

**Bear Creek Mining, Santa Ana Project
High Grade Core Contained in Smaller Open Pit Shapes
Resource Component Used in PEA Mine Plan
28 g/t Silver Cutoff
20 April 2009**

Deposit	Category	Ktonnes	Contained Metal					
			Silver Gm/t	Lead %	Zinc %	Silver Million Ozs	Lead Million Lbs	Zinc Million Lbs
Santa Ana	Measured	7,871	59.8	0.39	0.73	15.1	67.7	126.7
	<u>Indicated</u>	<u>25,307</u>	<u>52.6</u>	<u>0.34</u>	<u>0.58</u>	<u>42.8</u>	<u>189.7</u>	<u>323.6</u>
	Meas+Ind	33,178	54.3	0.35	0.62	57.9	257.4	450.3
	Inferred	<u>9,175</u>	<u>65.5</u>	<u>0.36</u>	<u>0.55</u>	<u>19.3</u>	<u>72.8</u>	<u>111.3</u>

Note: The cutoff grade was varied over the mine life with the first 10 years using 28 gm/t cutoffs to the stockpile. The last 1.8 years of the mine plan applied a 22 gm/t cutoff. For the purposes of a PEA, inferred resources are included in the study. The resource for the PEA totals 42,353 Ktonnes grading 56.7 g/mt, or 77.2 million contained ounces silver, of which 25% is represented by inferred resources.

Mineralization

Mineralization appears to remain open at depth and laterally in three directions. Previous drill results beneath 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. Four drills are currently completing step-out drilling, resource in-fill drilling, geotechnical drilling for completion of the feasibility study and leach pad condemnation drilling. The drilling program involves approximately 8,000 meters and is expected to be completed in May 2010. The Company expects that in-fill drilling will convert a

significant amount of inferred resources to the indicated and measured resource categories in future resource updates.

Metallurgical Testing

Ongoing leach testing continues to support recoveries in heap leach conditions in all areas explored to date and across all silver grade ranges. In November 2009, the Company completed 300 meters of large-diameter diamond core holes in 3 drill holes for the purposes of in-fill drilling and providing samples for heap leach simulated test work, as described below. This feasibility study metallurgical test program initiated in the fourth quarter of 2009 involves the metallurgical testing of the three large diameter drill holes located in different areas of the deposit. The large-diameter drill core is currently being column leached tested at an independent test lab. The purpose of this test program is to evaluate the recovery of silver at coarser crush sizes and thus potentially significantly reducing the operating costs while maintaining high silver recoveries.

The current metallurgical test work is expected to provide the basis for the Santa Ana Feasibility Study expected to be completed in September 2010 and is based upon results of the second phase test program completed earlier in 2008 involving three column leach tests performed at McClelland Laboratories in Sparks Nevada. Results show that the Santa Ana material is well suited for heap leach recovery methods. In the test program, average silver recovery of 64.6% was achieved for the conventional tests, and overall long-term silver recovery is expected to exceed 70%, according to McClelland Laboratories. Metallurgical testing utilizing diagnostic shaker leach tests continues to confirm that new mineralization added to the resource is responding similarly to cyanide extraction as the materials reported in the column leach tests. The initial results from the most recent test work are continuing to show similar results to previous work and final results will be released once final grade reconciliations are complete.

(The foregoing disclosure regarding the Santa Ana project contains forward-looking statements that are based on a number of assumptions which may prove to be incorrect, including but not limited to: the availability of financing of the Company's Santa Ana project; the Company's ability to attract and retain skilled staff; the estimated timeline for the development of the Santa Ana project; the supply and demand for, and the level and volatility of the price of silver and zinc; the timing of the receipt of regulatory and governmental approvals, the supply and availability of consumables and services; the accuracy of the Company's resource estimates and the geological and metallurgical assumptions (including the size, grade and recoverability of mineral resources and reserves) and operational and price assumptions on which the resource estimates are based; market competition; the Company's ongoing relations with its employees and local communities; and general business and economic conditions. There is also no certainty that the results of the PEA will ever be realized. Should one or more of the risks or uncertainties involved in forward-looking statements relating to the PEA materialize, or should the assumptions underlying the PEA prove incorrect, actual results of the PEA may vary materially from those anticipated, believed, estimate or expected.)

Feasibility Study

During the second quarter of 2009 Bear Creek awarded both the Environmental and Social Impact Assessment ("ESIA") and Feasibility Study ("FS") work to Vector Engineering. Work has started on both the ESIA and the FS with considerable work initiated in August 2009 and continuing to date. Additionally, the Company restarted drilling activities in October and November, with the drilling of three holes for metallurgical samples. The Company restarted major resource and geotechnical drilling in early March 2010 with an in-fill drilling program that

will accomplish the following; 1) convert known areas of Inferred resource into Measured and Indicated resource; 2) explore for resource expansion; and 3) perform engineering drilling for geotechnical and hydrological studies associated with the Feasibility Study.

During the three months ended 31 March 2010, the Company incurred expenditures of \$1.2 million on the Santa Ana project. Included in this total are engineering and consulting expenditures of \$0.3 million, supplies and general of \$0.3, drilling costs of \$0.2 million, and various other costs, including travel costs of \$0.2 million, salaries and consulting of \$0.1 million and maintenance costs of \$0.1 million.

As at 31 March 2010, and 31 December 2009 the Company had \$0.1 million of capitalized acquisition costs related to the Santa Ana project.

Campanario Gold (Silver) Prospect

In January 2010, the Company announced the option to acquire Campanario; an untested mesothermal gold-silver prospect located within the prolific belt containing the Alto Chicama/Lagunas Norte, Santa Rosa, and La Arena gold deposits southeast of Trujillo, Peru. The Company can acquire a 100% interest in the prospect by making payments totaling US\$2.73M over three years subject to a 3% NSR royalty which is purchasable following completion of a positive feasibility study. The initial payment was US\$60,000 which provides full access to the property for one year. The options to buy-out the royalties commence from the completion of a positive feasibility study.

The Campanario prospect focuses on a Mesozoic sedimentary sequence intruded by strongly altered Tertiary quartz porphyry sills, dikes and small stocks. Sub-horizontal and sub-vertical quartz-sulfide veins and veinlets are ubiquitous especially in the sediments – intrusive contact zones. Nineteen rock chip samples average 3.1 g/t gold, 101.0 g/t silver, and range from <0.005 to 9.7 g/t gold and from <0.2 to 313 g/t silver within veins several meters thick. Fifty-one rock chip samples within the surrounding host rocks ranged from <0.005 to 0.82 g/t gold and from <0.2 to 7.5 g/t silver. Strongly anomalous zinc and lead are associated with the entire outcrop area. Outcrops are sparse within the 1,100 hectare claim area; however, several short shafts and tunnels have encountered hidden mineralized veins beneath shallow soil cover. Potential exists for a near-surface, disseminated gold-silver deposit and high-grade manto-type replacements. The target area occupies a hill top indicating low stripping ratios and is surrounded by suitable areas for heap leaching and other processing infrastructure.

Additional mapping and trenching are in progress with a Phase I drilling program to target depths of at least 200-300 meters expected to commence in June 2010. Approximately 2,000 meters of drilling is estimated depending on results of further exploration work. An IP/resistivity survey is planned for May 2010 to identify and define drill targets beneath shallow soil covered areas between mineralized outcrops.

Tassa Silver (Gold) Prospect

The Tassa prospect, located southeast of Arequipa, was acquired in 2007 by staking of mineral rights in which the Company controls a 100% interest. Subsequent work has shown Tassa to be similar in size (approximately 300m by 1 km by 200m vertical), geochemistry, silver leaching amenability and geologic setting to the Company's Santa Ana deposit. Eighty-seven rock chip and trench samples average 61 g/t silver which is similar to the resource grade at Santa Ana, in addition, Tassa exhibits gold values up to 0.49 g/t with a tendency for higher gold zoning with depth. Bottle roll tests performed on six samples (low, moderate and high silver value material)

resulted in recoveries of up to 85% silver and 95% gold. Continuity of mineralization is demonstrated by the longest trench sampling at Tassa of 466 meters averaging 65.4 g/t silver; however, no gold values were identified in this trench located higher in the system.

Additionally, Tassa is located approximately 15 kilometers from Chucapaca, currently under exploration by the Goldfields - Buenaventura joint venture where drilling has intercepted up to 170 meters averaging 3.3 g/t gold in a similar geologic setting and mineralization reportedly remains open. Tassa, located in mineralized pyroclastics adjacent to a volcanic dome, shows zoning patterns in copper, antimony, arsenic and mercury indicating that a source intrusive and center of mineralization is present at shallow depths. Additional geologic mapping and sampling are underway with drilling of an estimated 2,000 meter Phase I drilling program to commence in May 2010. Drill depths will be determined based upon further work; however, the potential for a near-surface, open pit silver (gold) leaching deposit will be the first priority. An IP/resistivity geophysical program will run concurrently with drilling start-up.

Generative Exploration

Generative exploration is a crucial part of the business of 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 (Impuesto General a las Ventas - Peruvian value added tax) expense of \$0.2 million represents the amount of IGV that has been paid to the Peruvian government during the three months ended 31 March 2010. 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. The IGV expense is denominated in Peruvian soles and as at 31 March 2010, the total value of the IGV receivable in Peru was \$6.0 million (17.0 million soles).

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 with no mineral producing properties, and thus, does not have revenues from any mineral properties.

For the Three Months Ended 31 March 2010 as compared to the Three Months Ended 31 March 2009

Net Loss and Operating Expenses

In the current period, the Company experienced a net loss of \$3.3 million compared to a net loss of \$1.7 million for 2009, an increase in net loss of \$1.6 million. In the current period, the Company had a loss per share of \$0.05 compared to \$0.03 for 2009. The increase in net loss and operating expenses are primarily due to a significant increase in exploration activity at the Company's advanced stage projects and an increase in wages and management salaries. These increased expenses were offset by a decrease in foreign exchange loss of \$0.2 million. As a result of the increase in activity, the Company's exploration costs increased from \$0.8 million to \$2.2 million, an increase of \$1.4 million.

Total operating expenses for the current period were \$3.4 million compared to operating expenses of \$1.6 million for 2009. In addition, the Company had a small foreign exchange loss of \$0.1 million. Of the foreign exchange loss, \$0.4 million related to the translation of the future income tax payable, which is denominated in Peruvian soles and converted the payable to US dollars at the period end using current exchange rates but this was offset by a \$0.3 million gain on foreign exchange relating to the Company maintaining a portion of its cash in Canadian funds, and the strengthening of the Canadian dollar in relation to 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 for the period from Continuing Operations (In Millions)	Basic and Fully Diluted Loss per Share from Continuing Operations
1 st Quarter 2010	Nil	(3.3)	(0.05)
4th Quarter 2009	Nil	(1.4)	(0.02)
3rd Quarter 2009	Nil	(3.7)	(0.07)
2 nd Quarter 2009	Nil	(1.9)	(0.03)
1 st Quarter 2009	Nil	(1.7)	(0.03)
4th Quarter 2008	Nil	(3.6)	(0.07)
3 rd Quarter 2008	Nil	(5.6)	(0.10)
2 nd Quarter 2008	Nil	(4.8)	(0.10)

The increase in loss for the first quarter of 2010 resulted primarily from an increase in exploration activities on the Company's Corani and Santa Ana Projects, specifically relating to the feasibility study costs on Corani and Santa Ana Projects.

The increase in loss for the third quarter from the previous quarter resulted primarily from an increase in exploration activities on the Company's Corani and Santa Ana Projects, specifically relating to the pre-feasibility studies work on the Corani project.

The decrease in loss for the first quarter of 2009 resulted primarily from a decrease in exploration activities on the Company's Corani and Santa Ana projects.

The loss for the fourth quarter of 2008 decreased which resulted primarily from decreased exploration activity on the Company's Santa Ana project, and from a foreign exchange loss related to the Company's Canadian dollar holdings.

The increase in loss for the third quarter of 2008 resulted primarily from increased exploration activity on the Company's Santa Ana and Piedra Sagrada projects.

The increase in loss for the second quarter of 2008 resulted primarily from increased exploration activity on the Company's Santa Ana and Corani projects.

Liquidity and Capital Resources

Of the \$40.9 million in cash and cash equivalents and short term investments as at 31 March 2010, approximately \$7.5 million (CDN\$7.7 million) was denominated in Canadian dollars and Peruvian soles, 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 paper or in Canadian chartered bank corporate paper with short term maturities.

On 31 March 2010, the Company had 70,040,139 issued shares. As at 31 March 2010, the Company's net working capital was \$29.6 million compared to a net working capital of \$33.0 million as at 31 December 2009. The cash balance at 31 March 2010 was \$35.8 million compared to \$36.3 million as at 31 December 2009. As at 31 March 2010 current liabilities were \$11.7 million compared to \$10.2 million as at 31 December 2009. Included in current liabilities is the amounts owing to Rio Tinto of \$10 million to be paid on or before 31 December 2010 and \$1.1 million to be paid by January 10, 2011.

As at 17 May 2010, the Company had 70,040,139 outstanding common shares. The Company has 4,122,000 share purchase options outstanding, and the weighted average exercise price of the share purchase options is C\$3.49.

Expenditures under consideration for the remainder of 2010 fiscal year include in-fill drilling at Santa Ana as well as the continuation of the feasibility study and environmental studies at Santa Ana and Corani; the total costs estimated to be spent on Santa Ana and Corani through to the end of 2010 is \$10 million. The Company will also continue exploration programs on other projects and spending will vary dependent on success of the exploration programs. In addition to these expenditures, the Company must make the \$10 million payment due to Rio Tinto on or before 31 December 2010.

Future Principal minimum repayment terms due to Rio Tinto are as follows:

	\$
31 December 2010	10,000,000
10 January 2011 (payable in cash or shares)	1,100,000
30 September 2011	10,000,000
30 June 2012	15,000,000

Financing Activities

During the three months ended 31 March 2010, the Company received cash proceeds of \$5,867 from the exercise of 5,000 options.

Investing Activities

During the three months ended 31 March 2010, the Company purchased a minor amount of equipment for \$30,806.

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 met those requirements and occurred during the three month ended 31 March 2010.

The Company received legal services, totaling \$19,864, from a law firm in which an Officer of Bear Creek is a partner. Legal fees related primarily to ongoing 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 \$25,807.

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 the period were \$17,500.

Critical Accounting Policies and Estimates

The details of Bear Creek's accounting policies are presented in note 2 of the annual audited 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*

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 property for impairment when events or changes in circumstances indicate that the carrying amount of the related asset may not be recoverable. Management has determined that no impairment is required on its capitalized mineral property as its projected future undiscounted cash flow of its Corani project and Santa Ana project are greater than its carrying value.

This analysis was performed using both current metal prices of silver, lead and zinc as well as using three years back prices and two years forward prices of silver, lead and zinc. 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 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.

b) Estimates

Financial statements in conformity with Canadian GAAP require 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 and could result in a material change in the carrying value of the Company's capitalized resource property costs.

c) Changes in Accounting Policies including Initial Adoption

International Financial Reporting Standards ("IFRS") Changeover Plan Disclosure

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises (PAEs). The effective changeover date is January 1, 2011, at which time Canadian GAAP will cease to apply for Bear Creek and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011 including comparative IFRS financial results and an opening balance sheet as at January 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended December 31, 2011 with restated comparatives for the year ended December 31, 2010.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to

IFRS, 2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter 3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at January 1, 2010, any necessary conversion adjustments and reconciliations, preparation of a fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

Management has completed phase one, IFRS Scoping phase, and is now advancing through phase two, the Planning stage. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. During the second quarter of 2010, management will conduct an IFRS educational session for the Audit Committee and the Board of Directors which will focus on the key issues and transitional choices under IFRS 1 applicable to the Company.

Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

Asset Impairment

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Based on the Company's initial assessment of its resource property costs, no impairment charge is expected on transition to IFRS .

Share Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share – based transactions with only a few differences.

Canadian GAAP allows either accelerated or straight line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the accelerated amortization method and therefore the adoption of IFRS 2 is not expected to have an impact on the Company's financial statements.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur. For the current period, the Company estimates that the forfeiture rate for unvested options is 0%.

Upon adoption of IFRS 2, the Company will be fully compliant with the new standard and the adoption is not expected to have an impact on the financial statements.

Exploration and Evaluation Assets

Under the Company's current accounting policy, only the acquisition costs of mineral properties are capitalized.

Upon adoption of IFRS, the Company has to determine the accounting policy for exploration and evaluation assets. The Company is currently in compliance with the International Accounting Standards Board ("IASB") Framework which requires exploration expenditures to be expensed and capitalization of expenditures only after the completion of a feasibility study.

A new discussion paper has been released regarding IFRS 6, "Exploration and Evaluation of Mineral Properties which may have an impact on the financial statements.

Property, Plant and Equipment

Under IFRS, Property, Plant and Equipment ("PP&E") can be measured at fair value or at cost while under Canadian GAAP, the Company has to carry PP&E on a cost basis and the revaluation is prohibited.

Upon adoption of IFRS, the Company has to determine whether to elect a cost model or revaluation model. Management has yet to decide on which model to adopt. Currently, the Company only has equipment capitalized as property, plant and equipment and as a result there will be not significant impact on the adoption of either IFRS model on the Company's financial statements.

In accordance with IAS 16 "Property, Plant and Equipment", upon acquisition of significant assets, the Company will need to allocate an amount initially recognized in respect of an asset to its component parts and accounts for each component separately when the components have different useful lives or the components provide benefits to the entity in a different pattern.

Foreign Currency

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Currently the functional currency of the consolidated entity is the United States dollar ("USD") which is also the presentation currency of the Company's financial statements.

As events and conditions relevant to the Company change, it will re-consider the primary and secondary indicators, as described in IAS 21, in determining the functional currency for each entity. Going forward under IFRS, management will assess the appropriate functional currency based on existing circumstances which may have a significant impact on the Company's consolidated financial statements prepared under IFRS.

Future Income Taxes

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity.

IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings.

When the Company adopts IAS 12, "Income Taxes", the future income tax liability relating to Corani will no longer be recorded because Corani was not acquired through a business combination.

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose impact of the IFRS adoption at the transition date on our financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short term investments, due to related parties, accounts payable and accrued liabilities and due to Rio Tinto. Cash and cash equivalents is carried at fair value using a level 1 fair value measurement and short term investments are carried at fair value using a level 1 fair value measurement. The carrying value of the due to related parties and accounts payable and accrued liabilities approximate their fair value because of the short term nature of these instruments. 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 Company holds cash balances and incurs payables that are denominated in Canadian Dollars and Peruvian Soles. These balances are subject to fluctuations in the exchange rate between the Canadian Dollar, Peruvian Soles and the U.S. Dollar, resulting in currency gains or losses for the Company.

Management of capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity and amounts due to Rio Tinto.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or obtain debt financing. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities greater or less than 90 days from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations, and varying interest rates.

Management of financial risk

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Peru and a portion of its expenses are incurred in Canadian dollars and Peruvian Soles. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and the Peruvian Soles to the US dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At 31 March 2010, the

Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and Peruvian Soles:

	31 March 2009	
	Canadian Dollars	Peruvian Soles
Cash and cash equivalents and short term investments	7,571,578	141,242
Accounts receivable	18,484	25,542
Accounts payable and accrued liabilities	(336,782)	(232,622)

Based on the above net exposures as at 31 March 2010, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase/decrease of \$0.7 million in the Company's net earnings. Likewise, a 10% depreciation or appreciation of the US dollar against the Peruvian Soles would result in a decrease/increase of \$0.002 million in the Company's net earnings.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash equivalents and short-term investments are held through large Canadian financial institutions. Short-term and long-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian banks. These investments mature at various dates over the current operating period. Other assets consist of GST receivable from the government of Canada and other receivables and prepaid expenses. The Company's maximum exposure to credit risk at 31 March is as follows:

	31 March 2010 \$	31 December 2009 \$
Cash and cash equivalents	35,758,181	36,356,216
Short-term investments	5,171,288	6,675,431
Other assets	348,461	213,028

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its operating commitments. The Company manages liquidity by maintaining adequate cash and cash equivalent balances to meet its short term commitments and by raising equity or debt financing as required to meet long term commitments. The Company has no assurance that such financing will be available or be available on favourable terms. The Company believes it is subject to material liquidity risk through its obligation to Rio Tinto. In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing from sales of common shares.

The following table summarizes the remaining contractual maturities of the Company's financial liabilities and operating and capital commitments at 31 March 2010:

	(000s)					
	2010	2011	2012	2013	2014 and later	Total
	\$	\$	\$	\$	\$	\$
Accounts payable	591	-	-	-	-	591
Due to related party	25	-	-	-	-	25
Asset retirement obligations	-	-	-	-	300	300
Rio Tinto debt	10,000	11,100	15,000	-	-	36,100
Operating leases	78	104	-	-	-	182
Totals	10,694	11,204	15,000	-	300	37,198

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is limited because these investments are generally held to maturity. Based on the amount of cash and cash equivalents invested as at 31 March 2010 and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an increase/decrease of \$205,000 in the interest earned by the company per annum.

Commodity Price risk

The Company's ability to raise capital to fund exploration activities is subject to price risk from fluctuations in the market price of gold, silver, zinc and lead, which in turn is affected by numerous factors including central bank policies, producer hedging activities, the value of the US dollar relative to other major currencies, global demand and supply and global political and economic conditions. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The carrying value of the Company mineral property costs could be adversely affected by any reductions in the long term prices of gold, silver, lead and zinc.

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