

BEAR CREEK MINING CORPORATION

(An Exploration Stage Company)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

Three Months Ended March 31, 2011 AND 2010

EXPRESSED IN US DOLLARS

Bear Creek Mining Corporation
(An Exploration Stage Company)
Interim Consolidated Statements of Financial Position

US Dollars (000's)
(Unaudited)

	Note	March 31, 2011	December 31, 2010	January 1, 2010
ASSETS				
Current assets				
Cash and cash equivalents	5	\$ 115,703	\$ 143,764	\$ 36,356
Short-term investments	6	54	59	6,675
Receivables and prepaid expenses		365	293	213
		116,122	144,116	43,244
Non-current assets				
Equipment and leasehold improvements	7	387	245	211
Resource property costs	8	70,774	70,400	66,685
TOTAL ASSETS		\$ 187,283	\$ 214,761	\$ 110,140
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		\$ 831	\$ 1,266	\$ 248
Due to Rio Tinto Mining and Exploration Limited	9	-	11,100	10,000
		831	12,366	10,248
Non-current liabilities				
Due to Rio Tinto Mining and Exploration Limited	9	-	13,659	23,108
Provisions for site restoration		300	300	300
		1,131	26,325	33,656
EQUITY				
Share capital	10	262,701	262,542	131,680
Contributed surplus		14,112	11,863	14,451
Deficit		(90,661)	(85,969)	(69,647)
		186,152	188,436	76,484
TOTAL LIABILITIES AND EQUITY		\$ 187,283	\$ 214,761	\$ 110,140

Commitments (Note 13)

Subsequent event (Note 15)

ON BEHALF OF THE BOARD:

Signed "Catherine McLeod-Seltzer", Director

Signed "Nolan Watson", Director

The accompanying notes are an integral part of these financial statements

Bear Creek Mining Corporation
(An Exploration Stage Company)

Interim Consolidated Statements of Loss and Comprehensive Loss

For the Three Months Ended March 31

US Dollars (000's, except share data)

(Unaudited)

	Note	2011	2010
Operating expenses			
Exploration costs	8	\$ 3,199	\$ 2,183
Share-based compensation		2,303	144
Shareholder information and filing fees		194	83
Wages and management salaries		178	228
Professional fees		141	61
General office expenses		80	43
Travel		48	60
Loss before other items		6,143	2,802
Other income and expense			
Foreign exchange gain		(578)	(313)
Gain on settlement of financial liability	9	(765)	-
Finance income		(114)	(20)
Other losses		6	1
Loss and Comprehensive Loss for the Period		\$ 4,692	\$ 2,470
Loss per Share – Basic and Diluted		\$ 0.05	\$ 0.04
Weighted Average Number of Shares Outstanding		91,985,889	70,038,695

The accompanying notes are an integral part of these financial statements

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

For the Three Months Ended March 31

US Dollars (000's)

(Unaudited)

	Note	2011	2010
Operating Activities			
Loss for the period		\$ (4,692)	\$ (2,470)
Items not affecting cash			
Amortization		16	16
Non-cash gain on settlement of financial liability	9	(765)	-
Non-cash loss on investments		6	2
Share-based compensation		2,303	144
Unrealized foreign exchange gain		(554)	(215)
		(3,686)	(2,523)
Changes in current assets and liabilities			
Receivables and prepaid expenses		(72)	(135)
Accounts payable and accrued liabilities		(435)	368
Cash used in operating activities		(4,193)	(2,290)
Investing Activities			
Purchase of equipment and leasehold improvements		(158)	(31)
Resource acquisition costs		(268)	-
Short-term investments redeemed		-	1,651
Cash provided by (used in) investing activities		(426)	1,620
Financing Activities			
Payments to Rio Tinto Mining and Exploration Limited		(24,100)	-
Stock options exercised		105	6
Cash provided by (used in) financing activities		(23,995)	6
Effect of exchange rate change on cash and cash equivalents		553	66
Net Decrease in Cash and Cash Equivalents		(28,061)	(598)
Cash and cash equivalents – Beginning of Period		143,764	36,356
Cash and Cash Equivalents – End of Period		\$ 115,703	\$ 35,758

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Bear Creek Mining Corporation
(An Exploration Stage Company)

Interim Consolidated Statements of Changes in Equity

US Dollars (000's, except share data)
(Unaudited)

	Share Capital (Number of Shares)	Share Capital (Amount)	Contributed Surplus	Deficit	Total
January 1, 2010	70,035,139	\$ 131,680	\$ 14,451	\$ (69,647)	\$ 76,484
Options exercised	5,000	6	-	-	6
Fair value of options exercised	-	4	(4)	-	-
Share-based compensation	-	-	145	-	145
Net loss for the period	-	-	-	(2,470)	(2,470)
March 31, 2010	70,040,139	\$ 131,690	\$ 14,592	\$ (72,117)	\$ 74,165
Shares issued in private placement	20,297,500	129,420	-	-	129,420
Share issuance costs	-	(6,709)	-	-	(6,709)
Options exercised	1,623,500	4,695	-	-	4,695
Fair value of options exercised	-	3,446	(3,446)	-	-
Share-based compensation	-	-	717	-	717
Net loss for the period	-	-	-	(13,852)	(13,852)
December 31, 2010	91,961,139	\$ 262,542	\$ 11,863	\$ (85,969)	\$ 188,436
Options exercised	82,500	105	-	-	105
Fair value of options exercised	-	54	(54)	-	-
Share-based compensation	-	-	2,303	-	2,303
Net loss for the period	-	-	-	(4,692)	(4,692)
March 31, 2011	92,043,639	\$ 262,701	\$ 14,112	\$ (90,661)	\$ 186,152

The accompanying notes are an integral part of these financial statements

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

March 31, 2011

US Dollars (000's except share data)

(Unaudited)

1. Nature of Business

Bear Creek Mining Corporation's ("Bear Creek" or the "Company") business is the acquisition, exploration and development of precious metal properties principally located in Peru.

Bear Creek is a public company incorporated in British Columbia, Canada with shares listed on the TSX Venture Exchange and the Lima Stock Exchange. The head office, principal address and records office of the Company are located at 625 Howe Street, Suite 1050, Vancouver, British Columbia, Canada, V6C 2T6.

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 completion of the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

2. Basis of Preparation and First Time Adoption of IFRS

We prepare our financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, we have commenced reporting on this basis in the interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34") and IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"). Subject to certain transition elections disclosed below, we have consistently applied the same accounting policies in our opening IFRS balance sheet as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 14 discloses the impact of the transition to IFRS on our reported statement of financial position, comprehensive loss and cash flows, including the nature and effect of significant changes in accounting policies from those used in our consolidated financial statements for the year ended December 31, 2010.

The policies applied in the interim consolidated financial statements are presented in Note 3 and are based on IFRS issued and outstanding as of May 24, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in our annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of the interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The interim consolidated financial statements should be read in conjunction with our Canadian GAAP annual financial statements for the year ended December 31, 2010. Note 14 discloses IFRS information for the year ended December 31, 2010 that is material to the understanding of the condensed interim consolidated financial statements. We applied IFRS 1 in preparing the first IFRS interim consolidated financial statements.

All dollar amounts are presented in US dollars unless otherwise specified.

Notes to Interim Consolidated Financial Statements

March 31, 2011

US Dollars (000's except share data)

(Unaudited)

3. Summary of Significant Accounting Policies

This summary of significant accounting policies described below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated. The exemptions we have taken in applying IFRS for the first time are set out in Note 14.

a) Consolidation

The interim consolidated financial statements include the accounts of the Company's 100%-owned subsidiaries, which include BCMC Corani Holdings Ltd., Bear Creek Mining Inc., Bear Creek (BVI) Limited, Corani Mining Limited, Bear Creek Mining S.A.C., Bear Creek Exploration Company Ltd. and Bear Creek Mining Company Sucursal del Peru. All significant intercompany transactions and balances have been eliminated.

b) Significant Accounting Estimates and Judgments

The preparation of the interim consolidated financial statements, in conformity with IAS 34 and IFRS 1, requires estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant areas where judgment is applied include the determination of the functional currency, the carrying value and recoverability of mineral property costs, estimated depreciable lives of equipment, inputs used in accounting for share-based compensation and provisions for site restoration. Actual results could differ from our estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

c) Foreign Currencies

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and of all of its subsidiaries is the United States ("US") Dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21").

The interim consolidated financial statements have been prepared in US dollars and in accordance with IAS 21. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The Company's presentation currency is the US dollar.

d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, term deposits and other short-term highly liquid investments with the original term to maturity of three months or less.

e) Short-term Investments

Short-term investments are investments which are transitional or current in nature, with an original term to maturity greater than three months but less than one year.

Notes to Interim Consolidated Financial Statements

March 31, 2011

US Dollars (000's except share data)
(Unaudited)

f) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) *Financial assets and liabilities at fair value through profit or loss:* A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Financial instruments held by the Company classified in this category include cash and cash equivalents, and short-term investments.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income. Gains and losses arising from changes in fair value are presented in the statement of income within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) *Available-for-sale investments:* Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company does not hold any available-for-sale assets.

(iii) *Held-to-Maturity investments:* Held-to-maturity investments are non-derivatives that are designated in this category where the Company's intent is to hold the investment to maturity.

Held-to-maturity investments are initially measured at fair value including transaction costs, and subsequently carried at amortized cost. The Company does not hold any held-to-maturity assets.

(iv) *Loans and receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise other receivables, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(v) *Financial liabilities at amortized cost:* Financial instruments held by the Company and classified in this category include trade payables and accrued liabilities, and amounts owed to Rio Tinto Mining and Exploration Ltd. Trade payables and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables and accrued liabilities are measured at amortized cost using the effective interest method. Amounts owed to Rio Tinto Mining and Exploration Ltd. were initially recognized at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

The effective interest rate method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial instrument.

Notes to Interim Consolidated Financial Statements

March 31, 2011

US Dollars (000's except share data)
(Unaudited)

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(vi) *Derivative financial instruments:* Derivative instruments, including embedded derivatives, are recorded at fair value through profit or loss and accordingly are recorded on the balance sheet at fair value. Unrealized gains and losses on derivatives held for trading are recorded as part of other gains (losses) in earnings. Fair values for derivative instruments are determined using valuation techniques, using assumptions based on market conditions existing at the balance sheet date. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract. The Company does not hold any derivative instruments.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss as follows:

(i) *Financial assets carried at amortized cost:* The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) *Available-for-sale financial assets:* The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to the statement of loss.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

g) Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss during the period they are incurred.

The major categories of equipment and leasehold improvements are depreciated on a straight-line basis as follows:

Exploration and office equipment	10 years
Vehicles	5 years
Leasehold improvements	5 years

The Company allocates the amount initially recognized to each asset's significant components and depreciates each component separately. Residual values, amortization methods and useful lives of the assets are reviewed periodically and adjusted on a prospective basis as required.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of loss.

Notes to Interim Consolidated Financial Statements

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(Unaudited)

h) Mineral Properties and Exploration Costs

The Company capitalizes the direct costs of acquiring mineral property interests. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

Exploration and evaluation costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration and development costs are capitalized. Exploration costs include value-added taxes because the recoverability of these amounts are uncertain.

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.

i) Borrowing Costs

The Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use. Borrowing costs are capitalized when expenditures are incurred and activities are undertaken to acquire an asset or prepare it for its intended use. The amount of borrowing costs capitalized cannot exceed the actual amount of borrowing costs incurred during the period. All other borrowing costs are expensed as incurred. Capitalization of borrowing costs is discontinued when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Capitalized borrowing costs will be amortized over the useful life of the related asset.

j) Impairment of Non-financial Assets

The carrying amounts of non-financial assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Non-financial assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the statement of loss.

k) Provisions

(i) *Decommissioning and restoration provision:* Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations are initially recognized and recorded as a liability based on estimated future cash flows discounted at a risk free rate. The decommissioning and restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the pre-tax rate, risk specific to the liability.

The liability is also accreted to full value over time through periodic charges to earnings. This unwinding of the discount is charged to financing expense in the statement of income.

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The amount of the decommissioning and restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to earnings. The method of amortization follows that of the underlying asset. The costs related to a decommissioning and restoration provision are only capitalized to the extent that the amount meets the definition of an asset and can bring about future economic benefit.

(ii) *Other provisions:* Provisions are recognized when a current legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate pre-tax discount rate, risk specific to the liability.

l) Share-Based Compensation

The Company grants stock options to directors, officers, employees and other service providers. Option terms and vesting conditions are at the discretion of the Board of Directors. In general, options are granted for a term of five years with vesting of 25% on the date of grant, 25% six months from the date of grant, 25% one year from the date of grant and 25% eighteen months from the date of grant. The option exercise price is equal to the closing market price on the TSX Venture Exchange on the day preceding the date of grant.

The fair value method of accounting is used for stock-based compensation. Under this method, the cost of stock options and other equity-settled share-based payment arrangements is recorded based on the date of grant estimated fair value of each tranche using the Black-Scholes option pricing model, and charged to earnings over the vesting period. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is reversed in the period the forfeiture occurs.

m) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

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March 31, 2011

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n) **Loss per Share**

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of outstanding options and their equivalents are reflected in diluted earnings per share by application of the treasury stock method. Since the Company has losses, the assumed exercise of outstanding stock options has not been included in this calculation as it would be anti-dilutive.

4. Financial Instruments

Categories of financial instruments

	March 31, 2011	December 31, 2010	January 1, 2010
Financial assets			
Held for trading			
Cash and cash equivalents	\$ 115,703	\$ 143,764	\$ 36,356
Short-term investments	54	59	6,675
Loans and receivables			
Receivables	230	161	113
	\$ 115,987	\$ 143,984	\$ 43,144
Financial liabilities			
Other financial liabilities			
Accounts payable and accrued liabilities	\$ 831	\$ 1,266	\$ 248
Due to Rio Tinto Mining and Exploration Limited	-	24,759	33,108
	\$ 831	\$ 26,025	\$ 33,356

a) **Fair value**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 – Inputs other than quoted prices that are directly or indirectly observable for the asset or liability; and

Level 3 – Inputs that are not based on observable market data.

	March 31, 2011	December 31, 2010	January 1, 2010
Level 1			
Short-term investments – common shares	\$ 26	\$ 32	\$ 28
Level 2			
Cash and cash equivalents	\$ 115,703	\$ 143,764	\$ 36,356
Short-term investments - term deposits	28	27	6,647

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The carrying values of receivables, accounts payable and accrued liabilities, and Due to Rio Tinto Mining and Exploration Limited approximate their fair value because of the short-term nature of these 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.

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 of three months or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

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 Peru, Canada and the United States, 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 Sol to the US dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. At March 31, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and Peruvian Soles:

	March 31, 2011	
	Canadian Dollars	Peruvian Soles
Cash and cash equivalents, and short-term investments	19,185	366
Receivables	146	1,140
Accounts payable and accrued liabilities	(206)	(500)

Based on the above net exposures as at March 31, 2011, 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 \$2.0 million in the Company's loss for the period. A 10% depreciation or appreciation of the US dollar against the Peruvian Sol would result in an insignificant increase/decrease in the Company's loss for the period.

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 and cash equivalents, short-term investments and receivables.

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The Company's cash and cash equivalents, and short-term investments are held through large Canadian financial institutions. Short-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. Receivables consist of HST receivable from the government of Canada and other receivables.

iii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements by taking into account anticipated cash expenditures for its exploration and other operating activities, and its holdings of cash and cash equivalents, and short-term investments. The Company will pursue equity or debt financing as required to meet its long-term commitments. There is no assurance that such financing will be available or that it will be available on favourable terms

As at March 31, 2011, the Company's financial liabilities consist of accounts payable and accrued liabilities totalling \$831, and are expected to be paid within 90 days.

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 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 March 31, 2011 and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an increase/decrease of \$0.6 million 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, lead or zinc.

5. Cash and cash equivalents

	March 31, 2011	December 31, 2010	January 1, 2010
Cash	\$ 29,550	\$ 6,196	\$ 13,583
Discounted commercial paper	64,852	116,814	17,773
Investment savings account	16,947	16,532	5,000
Bankers acceptances	4,354	4,222	-
	\$ 115,703	\$ 143,764	\$ 36,356

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6. Short-term Investments

	March 31, 2011	December 31, 2010	January 1, 2010
Common shares – Magellan Minerals Ltd.	\$ 26	\$ 32	\$ 28
Term deposits	28	27	6,647
	\$ 54	\$ 59	\$ 6,675

The Company currently holds 19,392 shares (December 31, 2010 – 19,392 shares; January 1, 2010 – 38,392 shares) in Magellan Minerals Ltd. with a fair value of \$26. During 2010, 19,000 shares with a book value of \$14 were sold for proceeds of \$25. A mark-to-market loss on the investment of \$6 and \$1 was recorded during the three months ended March 31, 2011 and 2010, respectively.

Term deposits included in short-term investments have maturities of greater than three months, but less than one year, and are redeemable at any time.

7. Equipment and Leasehold Improvements

	Exploration Equipment	Vehicles	Office Equipment	Leasehold Improvements	Total
Cost					
Balance as at January 1, 2010	\$ 156	\$ 338	\$ 36	\$ -	\$ 530
Additions	85	20	-	2	107
Disposals	-	(23)	-	-	(23)
Balance at December 31, 2010	\$ 241	\$ 335	\$ 36	\$ 2	\$ 614
Additions	7	-	5	146	158
Balance as at March 31, 2011	\$ 248	\$ 335	\$ 41	\$ 148	\$ 772
Accumulated Depreciation					
Balance as at January 1, 2010	\$ 46	\$ 248	\$ 25	\$ -	\$ 319
Depreciation for the year	20	47	2	-	69
Disposals	-	(19)	-	-	(19)
	\$ 66	\$ 276	\$ 27	\$ -	\$ 369
Balance at December 31, 2010	6	10	-	-	16
Depreciation for the period	6	10	-	-	16
Balance as at March 31, 2011	\$ 72	\$ 286	\$ 27	\$ -	\$ 385
Carrying amounts					
At January 1, 2010	\$ 110	\$ 90	\$ 12	\$ -	\$ 211
At December 31, 2010	175	59	9	2	245
At March 31, 2011	\$ 176	\$ 49	\$ 14	\$ 148	\$ 387

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8. Resource Property Costs

		Corani Project		Santa Ana Project		Total
Balance at January 1, 2010	\$	66,585	\$	100	\$	66,685
Land acquisition costs		1,412		652		2,064
Accretion of purchase liability (Note 9)		1,651		-		1,651
Balance at December 31, 2010	\$	69,648	\$	752	\$	70,400
Land acquisition costs		147		121		268
Accretion of purchase liability (Note 9)		106		-		106
Balance at March 31, 2011	\$	69,901	\$	873	\$	70,774

a) Corani Project

By letter of understanding dated January 19, 2005 and subsequently formalized by an option agreement dated March 15, 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 silver-lead-zinc property located in southeastern Peru, subject to Rio Tinto's back-in right, for payments totalling \$5.4 million. The final option payment was made in January 2008, upon which the Company earned a 70% interest in the Corani Project.

On March 6, 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 right under the existing option agreement. Bear Creek agreed to pay Rio Tinto \$45 million over a two year period, and issue Rio Tinto 3,991,000 common shares. The fair value of the property acquired was calculated as the present value of the \$45 million, discounted at a credit adjusted risk free rate of 9.0%, and the 3,991,000 common shares with a fair value of \$17.1 million. The present value of the \$45 million liability was accreted to its face value, with accretion expense being capitalized as a resource property cost. Legal and finance charges associated with the asset acquisition were also capitalized as a resource property cost. In addition, the Company may be required to make an additional 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.

On February 27, 2009 the Company entered into an amendment agreement (the "Amendment Agreement") with Rio Tinto in respect of its purchase of Rio Tinto's remaining 30% interest in the Corani Project. Under the Amendment Agreement, Rio Tinto agreed to restructure the final two cash payments of \$15 million previously due September 30, 2009 and \$25 million previously due December 31, 2009. In consideration for deferring these payments, the Company agreed to make additional payments to Rio Tinto of \$2.2 million. The restructured payments were as follows:

- \$5 million due December 31, 2009 (paid December 2009)
- \$10 million due December 31, 2010 (paid December 2010)
- \$10 million due September 30, 2011 (paid February 2011)
- \$15 million due June 30, 2012 (paid February 2011)

Bear Creek agreed to make the following additional payments in consideration for the restructuring payable in either cash or shares, at the option of Bear Creek:

- \$1.1 million upon signing of the Amendment Agreement (paid by the issuance of 1,021,266 shares of Bear Creek in March 2009).
- \$1.1 million due on January 10, 2011 (paid January 2011)

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On February 3, 2011, the Company entered into an amending agreement whereby Rio Tinto accepted a payment of \$23 million in lieu of and in full satisfaction of the final two cash payments under the Amendment Agreement of \$10 million due September 30, 2011 and \$15 million due June 30, 2012.

b) Santa Ana Project

In 2004 the Company acquired an option to earn a 100% interest in the Santa Ana silver property in south eastern Peru. The option was exercised in January 2009 resulting in the Company holding a 100% interest in the Santa Ana project. The property was subject to payments totalling 3% of direct exploration expenditures to a maximum lifetime payment of \$0.3 million, all of which has been paid as of March 31, 2011.

c) Tassa Project

The Tassa silver-gold prospect is located in southern Peru and was acquired by staking of mineral rights in 2007. The Company has a 100% interest in the project.

d) La Yegua Project

The La Yegua gold-copper prospect is located southern Peru and was acquired by staking of mineral rights in 2004. In 2010 the Company entered into an agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") that provides for JOGMEC to earn a 51% interest in the project by funding \$3.0 million of qualified expenditures by March 31, 2014. Approximately \$0.4 million of qualified expenditures has been incurred by JOGMEC as of March 31, 2011.

e) Alejandra Project

In 2011 the Company entered into an option agreement to acquire the Alejandra gold and base metal prospect in northern Peru. The agreement allows the Company to earn a 100% interest in the property by making payments totalling \$2.64 million over a five-year period (Note 13).

f) Sumi Project

The Sumi gold-silver prospect is located in southern Peru and was acquired by staking in 2011. The Company has a 100% interest in the project.

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Exploration costs for the period ending March 31, 2011 are as follows:

	Corani	Santa Ana	La Yegua	Tassa	Other	Total
Community relations	\$ 89	\$ 170	\$ 23	\$ 3	\$ -	\$ 285
Engineering	231	461	-	-	-	692
Environmental	49	67	15	19	-	150
Feasibility study	56	21	-	-	-	77
Legal	15	27	3	4	4	53
Metallurgical testing	-	23	-	-	-	23
Lima office costs and travel	48	88	9	11	12	169
Operations	97	157	168	66	5	493
Wages and benefits	208	430	37	86	30	791
Recovery of costs	-	-	(102)	-	-	(102)
Generative expenses	-	-	-	-	175	175
IGV (value added taxes)	121	220	23	29	1	394
	\$ 914	\$ 1,664	\$ 176	\$ 218	\$ 227	\$ 3,199

Exploration costs for the period ending March 31, 2010 are as follows:

	Corani	Santa Ana	La Yegua	Tassa	Other	Total
Community relations	\$ 33	\$ 88	\$ 4	\$ 2	\$ 1	\$ 128
Drilling	187	177	-	-	-	364
Engineering	124	151	-	-	-	275
Environmental	-	3	-	-	-	3
Feasibility study	3	173	-	-	-	176
Lima office costs and travel	28	55	-	2	10	95
Operations	143	408	1	30	28	610
Wages and benefits	60	92	-	1	6	159
Generative expenses	-	-	-	-	171	171
IGV (value added taxes)	59	116	1	3	23	202
	\$ 637	\$ 1,263	\$ 6	\$ 38	\$ 239	\$ 2,183

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9. Due to Rio Tinto Mining and Exploration Ltd.

Due to Rio Tinto – January 1, 2010	\$	33,108
Accretion on obligation to Rio Tinto		1,651
Less: payment made to Rio Tinto		<u>(10,000)</u>
Due to Rio Tinto – December 31, 2010	\$	24,759
Accretion on obligation to Rio Tinto		106
Less: payment made to Rio Tinto		(24,100)
Gain on derecognition of liability		<u>(765)</u>
Due to Rio Tinto – March 31, 2011	\$	<u>-</u>

The Company's obligation to Rio Tinto arose from its purchase of Rio Tinto's 30% interest in the Corani silver-lead-zinc project. Amounts owed to Rio Tinto were non-interest bearing and were recorded at their present value, discounted at a credit adjusted risk free rate of 9.0%. The accretion on the present value of the obligation was capitalized to resource property costs.

On January 10, 2011, the Company paid Rio Tinto \$1.1 million. On February 4, 2011, the Company paid Rio Tinto \$23 million in full settlement of remaining amounts due under the purchase agreement of \$10 million due on September 30, 2011 and \$15 million due on June 30, 2012 resulting in a gain on settlement of the Rio Tinto liability of \$0.8 million. The \$23 million payment extinguished all security interests and encumbrances held by Rio Tinto over the Company and the Corani project.

10. Capital

Authorized share capital

Unlimited number of common shares without par value

Share Purchase Options

The Company has established a share purchase option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than ten years from the date of grant or such lesser period as determined by the Company's Board of Directors. The exercise price of an option is determined by the Board of Directors, but it cannot be less than the closing price on the TSX Venture Exchange on the trading date preceding the date of grant, less the maximum discount permitted under TSX policies applicable to share purchase options. Vesting terms for each grant are also set by the Board of Directors.

The option 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 March 31, 2011, a total of 5,967,863 options were reserved under the Plan with 3,236,500 options outstanding.

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a) Movements in share options during the year

The changes in share options during the period ended March 31, 2011 and the year ended December 31, 2010 were as follows:

	March 31, 2011		December 31, 2010	
	Number of options	Weighted average exercise price (in CDN\$)	Number of options	Weighted average exercise price (in CDN\$)
Options outstanding, beginning of the year	2,336,000	4.14	3,922,000	3.43
Granted	1,013,000	10.48	405,000	6.24
Exercised	(82,500)	1.24	(1,628,500)	2.90
Forfeited	(30,000)	8.08	(362,500)	4.38
Options outstanding, end of the period and year	3,236,500	6.16	2,336,000	4.14

b) Fair value of share options granted

During the period ended March 31, 2011, the Company granted options to directors, officers and employees to purchase up to 1,013,000 common shares of the Company at a weighted average exercise price of CDN\$10.48 per share. The estimated fair value of the stock options granted during the period ended March 31, 2011 was CDN\$6,033 using the Black-Scholes option pricing model.

During the year ended December 31, 2010, the Company granted options to employees to purchase up to 405,000 common shares of the Company at a weighted average exercise price of CDN\$6.24 per share. The estimated fair value of the stock options granted during the year ended December 31, 2010 was CDN\$1,586 using the Black-Scholes option pricing model.

	2011	2010
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	76.6%	76.8%
Risk-free interest rate	2.35%	2.16%
Expected life of options	3.9 years	3.7 years
Grant date fair value	\$5.96	\$3.51

Option pricing models require the input of subjective assumptions including the expected price volatility and the expected option life. Changes in these assumptions can materially affect the estimated fair value of the stock options granted.

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c) Share options outstanding at the end of the year

A summary of the Company's options outstanding as at March 31, 2011 is as follows:

Options Outstanding	Options Exercisable	Price per Share	Remaining contractual life (years)	Expiry Date
100,000	100,000	CDN\$4.60	0.17	May 31, 2011
23,000	23,000	CDN\$8.08	0.39	August 22, 2011
445,000	445,000	CDN\$7.99	1.13	May 16, 2012
150,000	150,000	CDN\$4.95	2.26	July 2, 2013
850,500	850,500	CDN\$1.24	2.83	January 27, 2014
100,000	100,000	CDN\$1.90	3.39	August 18, 2014
150,000	112,500	CDN\$4.00	3.54	October 14, 2014
240,000	180,000	CDN\$4.12	3.94	March 8, 2015
90,000	22,500	CDN\$8.80	4.65	November 23, 2015
75,000	18,750	CDN\$9.95	4.69	December 6, 2015
120,000	30,000	CDN\$8.30	4.84	February 1, 2016
893,000	223,250	CDN\$10.77	4.98	March 23, 2016
3,236,500	2,255,500		3.60	

The weighted average exercise price of the options exercisable at March 31, 2011 is \$4.62.

11. Related Party Transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below.

a) Trading transactions

Certain of the Company's officers and directors render services to the Company as sole proprietors or through companies in which they are an officer, director or partner.

	Nature of transactions
DuMoulin Black LLP	Legal fees
Estudio Grau S.C.R.L.	Legal fees
Avisar Chartered Accountants (ended January 31, 2011)	Accounting fees
Chairman of the Board of Directors of Bear Creek (ended December 31, 2010)	Consulting fees

The Company incurred the following fees and expenses in the normal course of operations in connection with related parties. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

	Note	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Legal fees		\$ 110	\$ 20
Consulting fees	(i)	-	18
Accounting fees		9	26
	(ii)	\$ 119	\$ 64

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- (i) The Company paid fees to one of its directors for consulting services performed outside of their capacity as a director.
- (ii) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at March 31, 2011 included \$77 (December 31, 2010 - \$158; January 1, 2010 - \$47) which were due to individuals or companies whose officers, directors or partners were also officers or directors of the Company.

b) Compensation of key management personnel

The remuneration of the directors, chief executive officer, president and chief operating officer, chief financial officer and vice president of operations (collectively, the key management personnel) during the three months ended March 31, 2011 and 2010 were as follows:

	Note	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Salaries and directors' fees	(i)	\$ 277	\$ 135
Share-based compensation	(ii)	1,924	213
		\$ 2,201	\$ 348

- (i) Salaries and directors' fees include consulting fees disclosed in Note 11(a).
- (ii) Share-based compensation represents the expense for the three months ended March 31, 2011, translated at the grant date foreign exchange rate.
- (iii) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three months ended March 31, 2011 and 2010.

12. Segmented Information

The Company's business consists of mineral exploration and development. Details on a geographic basis are as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Total Assets			
Peru	\$ 72,131	\$ 71,252	\$ 67,339
Canada	115,107	143,509	42,801
United States	45	-	-
	\$ 187,283	\$ 214,761	\$ 110,140
Total Non-current Assets			
Peru	\$ 71,154	\$ 70,640	\$ 66,891
Canada	4	5	5
United States	3	-	-
	\$ 71,161	\$ 70,645	\$ 66,896

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Net Loss (Income)	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Peru	\$ 3,210	\$ 2,119
Canada	2,167	351
British Virgin Islands	(765)	-
United States	80	-
	\$ 4,692	\$ 2,470

13. Commitments

- a) The Company entered into an operating lease as a co-signor for office space from October 2006 through December 2011. The total minimum lease payments are CDN\$106 per annum. The Company's proportionate share of the minimum lease payments is CDN\$38 per annum.
- b) The Company entered into an operating lease for office space commencing December 2010 through December 2013. The total minimum lease payments are \$8 per month.
- c) In January 2011 the Company entered into an operating lease for office space commencing February 2011 through December 2011. The total minimum lease payments are \$2 per month.
- d) The Company has non-cancellable purchase commitments on the La Yegua project totalling \$67 as of March 31 2011.
- e) In March 2011 the Company entered into an option agreement to acquire the Alejandra property in northern Peru. The agreement allows the Company to earn a 100% interest in the project for payments as follows:

Amount	Date
\$ 15	Upon signing the agreement (paid)
30	September 2011
95	February 2012
500	February 2013
500	February 2014
500	February 2015
1,000	February 2016
\$ 2,640	Total

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14. Transition to International Financial Reporting Standards

IFRS 1 First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010:

a) IFRS 3 - Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after January 1, 2010.

b) IFRS 2 - Share-based Payments

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payments to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010.

IFRS

- Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value. Awards based in a currency other than the Company's functional currency are translated at the foreign exchange rate in effect on the grant date of the award and the resulting fair value is amortized over the vesting period of the respective tranches.
- Forfeiture estimates are included in the calculation of fair value of share-based awards, and are revised for actual forfeitures in subsequent periods.

Canadian GAAP

- The fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value may be recognized on a straight-line basis over the vesting period.
- Forfeitures of awards may be recognized as they occur.

As at January 1, 2010, the application of IFRS 2 resulted in a \$24 decrease to the deficit and a corresponding \$24 decrease to contributed surplus due to a revaluation of options granted prior to January 1, 2010 but which vested after January 1, 2010. For the three months ended March 31, 2010, there was a \$554 decrease in share-based compensation from \$698 to \$144, while for the year ended December 31, 2010 there was a decrease of \$339 in share-based compensation from \$1,201 to \$862. These IFRS adjustments resulted in a cumulative decrease to the deficit and contributed surplus of \$363 as at December 31, 2011. In addition, for the year ended December 31, 2010, contributed surplus increased and share capital decreased by \$16 due to the revaluation of options exercised.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated January 1, 2010:

c) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

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d) Taxes

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Under IFRS, temporary differences resulting from the initial recognition of assets or liabilities that do not affect accounting or taxable profit do not result in a deferred tax asset or liability. As of the date of transition, the Company has therefore derecognized the impact of future income tax liabilities which had previously been recognized on the asset acquisition of the Corani project.

As at January 1, 2010, there was a decrease in the deferred tax liability from \$20,708 to \$Nil, a decrease of \$21,436 in the capitalized resource property costs from \$88,121 to \$66,685 and a corresponding increase in the deficit of \$728 resulting from the reversal of a foreign exchange gain of \$503 and a tax recovery of \$225 previously recorded under Canadian GAAP. During the three months ended March 31, 2010 there was a \$108 tax recovery reversal and a \$365 foreign exchange loss, whereas for the year ended December 31, 2010, there was a \$501 tax recovery reversal and a reversal of a \$1,122 foreign exchange loss recorded under Canadian GAAP. As a result of these IFRS adjustments, at December 31, 2010 there was a decrease in the deferred tax liability from \$22,035 to \$Nil, a decrease of \$22,143 in the capitalized resource property costs from \$92,543 to \$70,400, and an increase to the deficit of \$108.

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The January 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

		January 1, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		\$ 36,356	\$ -	\$ 36,356
Short-term investments		6,675	-	6,675
Receivables and prepaid expenses		213	-	213
		43,244	-	43,244
Non-current assets				
Equipment and leasehold improvements		211	-	211
Resource property costs	(f)	88,121	(21,436)	66,685
TOTAL ASSETS		\$ 131,576	\$ (21,436)	\$ 110,140
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		\$ 248	\$ -	\$ 248
Due to Rio Tinto Mining and Exploration Limited		10,000		10,000
		10,248		10,248
Non-current liabilities				
Due to Rio Tinto Mining and Exploration Limited		23,108		23,108
Provisions for site restoration		300		300
Deferred income tax	(f)	20,708	(20,708)	-
		54,364	(20,708)	33,656
EQUITY				
Share capital		131,680		131,680
Contributed surplus	(b)	14,475	(24)	14,451
Deficit	(b)(f)	(68,943)	(704)	(69,647)
		77,212	(728)	76,484
TOTAL LIABILITIES AND EQUITY		\$ 131,576	\$ (21,436)	\$ 110,140

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The March 31, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

		March 31, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		\$ 35,758	\$ -	\$ 35,758
Short-term investments		5,171	-	5,171
Receivables and prepaid expenses		349	-	349
		41,278	-	41,278
Non-current assets				
Equipment and leasehold improvements		226	-	226
Resource property costs	(f)	88,702	(21,610)	67,092
TOTAL ASSETS		\$ 130,206	\$ (21,610)	\$ 108,596
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		\$ 616	\$ -	\$ 616
Due to Rio Tinto Mining and Exploration Limited		11,100		11,100
		11,716		11,716
Non-current liabilities				
Due to Rio Tinto Mining and Exploration Limited		22,415		22,415
Provisions for site restoration		300		300
Deferred income tax	(f)	21,139	(21,139)	-
		55,570	(21,139)	34,431
EQUITY				
Share capital		131,690	-	131,690
Contributed surplus	(b)	15,169	(577)	14,592
Deficit	(b)(f)	(72,223)	106	(72,117)
		74,636	(471)	74,165
TOTAL LIABILITIES AND EQUITY		\$ 130,206	\$ (21,610)	\$ 108,596

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The December 31, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

					December 31, 2010		
		Note	Canadian GAAP	Effect of transition to IFRS	IFRS		
ASSETS							
Current assets							
Cash and cash equivalents			\$ 143,764	\$ -	\$		143,764
Short-term investments			59	-			59
Receivables and prepaid expenses			293	-			293
			144,116	-			144,116
Non-current assets							
Equipment and leasehold improvements			245	-			245
Resource property costs		(f)	92,543	(22,143)			70,400
TOTAL ASSETS			\$ 236,904	\$ (22,143)	\$		214,761
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities			\$ 1,266	\$ -	\$		1,266
Due to Rio Tinto Mining and Exploration Limited			11,100				11,100
			12,366				12,366
Non-current liabilities							
Due to Rio Tinto Mining and Exploration Limited			13,659				13,659
Provisions for site restoration			300				300
Deferred income tax		(f)	22,035	(22,035)			-
			48,360	(22,035)			26,325
EQUITY							
Share capital			262,558	(16)			262,542
Contributed surplus		(b)	12,210	(347)			11,863
Deficit		(b)(f)	(86,224)	255			(85,969)
			188,544	(108)			188,436
TOTAL LIABILITIES AND EQUITY			\$ 236,904	\$ (22,143)	\$		214,761

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

March 31, 2011

US Dollars (000's except share data)

(Unaudited)

The March 31, 2010 Canadian GAAP statement of loss and comprehensive loss has been reconciled to IFRS as follows:

	Note	Canadian GAAP	March 31, 2010 Effect of transition to IFRS	IFRS
Operating expenses				
Exploration costs		\$ 2,183	\$ -	\$ 2,183
Share-based compensation	(b)	698	(554)	144
Shareholder information and filing fees		83	-	83
Wages and management salaries		228	-	228
Professional fees		61	-	61
General office expenses		41	2	43
Travel		60	-	60
Loss before other items		3,354	(552)	2,802
Other income and expense				
Foreign exchange loss (gain)	(f)	51	(364)	(313)
Finance income		(18)	(2)	(20)
Other losses		1	-	1
Loss before income tax		3,388	(918)	2,470
Income tax recovery	(f)	(108)	108	-
Loss and Comprehensive Loss for the Period		\$ 3,280	\$ (810)	\$ 2,470

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

March 31, 2011

US Dollars (000's except share data)
(Unaudited)

The December 31, 2010 Canadian GAAP statement of loss and comprehensive loss has been reconciled to IFRS as follows:

	Note	Canadian GAAP	December 31, 2010 Effect of transition to IFRS	IFRS
Operating expenses				
Exploration costs		\$ 14,137	\$ -	\$ 14,137
Share-based compensation	(b)	1,201	(339)	862
Shareholder information and filing fees		286	-	286
Wages and management salaries		581	-	581
Professional fees		515	-	515
General office expenses		215	7	222
Travel		234	-	234
Loss before other items		17,169	(332)	16,837
Other Income and expense				
Foreign exchange loss (gain)	(f)	791	(1,121)	(330)
Finance income		(135)	(7)	(142)
Other gains		(43)	-	(43)
Loss before income tax		17,782	(1,460)	16,322
Income tax recovery	(f)	(501)	501	-
Loss and Comprehensive Loss for the Period		\$ 17,281	\$ (959)	\$ 16,322

Upon transition to IFRS there were no significant changes to the statement of cash flow.

15. Subsequent Event

Subsequent to March 31, 2011, 118,000 options were exercised for gross proceeds of \$571.

**BEAR CREEK MINING CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2011**

Introduction

The following Management's Discussion and Analysis ("MD&A") of Bear Creek Mining Corporation (the "Company" or "Bear Creek") was prepared on May 24, 2011 and should be read in conjunction with the unaudited consolidated financial statements of the Company and the notes thereto for the three months ended March 31, 2011, and with the audited consolidated financial statements for the year ended December 31, 2010. All dollar amounts are expressed in United States dollars unless otherwise noted. Additional information relating to the Company, including the Company's annual information form, is available on SEDAR at www.sedar.com.

Bear Creek's business is the acquisition, exploration and development of precious and base metal properties located principally in Peru. In addition to its ongoing exploration activities, the Company is advancing its 100%-owned Santa Ana silver project and its 100%-owned Corani silver-lead-zinc project towards development. Bear Creek has no revenues from its mineral properties.

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

Conversion to IFRS

As prescribed by the Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board, the Company adopted the requirements of the International Financial Reporting Standards ("IFRS") in its financial statements as of January 1, 2011, including the restatement of its opening balance sheet as at January 1, 2010 and its first quarter 2010 comparatives. The restatement of the Company's comparative balances from those previously reported under Canadian GAAP to those converted into IFRS is explained and reconciled in Note 14 of the Company's March 31, 2011 interim consolidated financial statements as filed on SEDAR.

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1) 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 as a 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 include, but are not limited to, statements with respect to the future price of gold, silver and other metals, the estimation of mineral resources and reserves, the realization of mineral resource and reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, timing of completion of studies and reports, success of exploration and development activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of exploration operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, completion of acquisitions and their potential impact on the Company and its operations, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to the completion and integration of acquisitions and actual effects of the acquisitions; risks related to joint venture operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of future economic evaluations; changes in project parameters as plans continue to be refined; future prices of precious and base metals; possible variations in ore resources, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed elsewhere in this MD&A. Forward-looking statements are based on certain assumptions that management believes are reasonable at the time they are made. In making the forward-looking statements in this MD&A, the Company has applied several material assumptions, including, but not limited to, the assumption that: (1) market fundamentals will result in sustained silver, lead and zinc demand and prices; (2) the proposed development of its mineral projects will be viable operationally and economically and proceed as expected; and (3) any additional financing needed will be available on reasonable terms. Although the Company has attempted to identify important factors that could cause

actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. 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.

2) Highlights

In late May 2011, the Peruvian government issued a decree setting up a 180 day Multi-Sectorial Commission comprised of ministers and elected local officials to study and propose appropriate action in respect to mining activities within the provinces of Yunguyo and Chucuito while the Peruvian government resolves certain protests occurring in the Puno region. The government called for the study in response to two weeks of strikes in the region protesting mining, oil and gas, and hydroelectric activities. The Company's Santa Ana project is located within the Chucuito province. This suspension does not affect the Company's mineral rights or the status of the Santa Ana Environmental and Social Impact Assessment ("ESIA") which was in process at the time of the announced study. The Company expects to continue its permitting process with the Ministry of Energy and Mines ("MEM") and is currently preparing its responses to observations submitted by the MEM in the normal course of business. The Company will also continue its plans for the development of its Santa Ana project including its ongoing community relations and social support programs, and detailed engineering. The effect of the study will likely be to delay approval of the ESIA until late 2011 compared to the previously expected mid-2011.

In mid-April 2011 the Company received comments from the Peruvian Ministry of Energy and Mines in regards to the Company's Environmental and Social Impact Assessment ("ESIA") submittal for the Santa Ana project. The Company's responses to the Ministry of Energy and Mines are expected to be submitted by the end of June 2011.

On February 28, 2011, the Company awarded the engineering, procurement and construction management contract for the Santa Ana project to GMI S.A., a major Peruvian-based engineering and construction firm. Detailed engineering is underway along with preparation of bid documents for major equipment items required for the project.

On February 23, 2011 the public hearing for the Santa Ana project was successfully completed and attended by over 700 people from the local communities. The public hearing is an important milestone that is required as part of the ESIA process.

On February 4, 2011 the Company prepaid its remaining obligation to Rio Tinto on its 100%-owned Corani project for \$23 million. The \$23 million payment represents an 8% discount to the \$25 million principal amount of the liability that was originally due on September 30, 2011 (\$10 million) and June 30, 2012 (\$15 million). The \$23 million payment extinguished all security interests and encumbrances held by Rio Tinto over the Company and the Corani project.

On February 1, 2011 the Company announced the appointment of Brad Blacketer as Chief Financial Officer. Previously, he was Vice-President and Chief Financial Officer of Metallica Resources Inc. during its transition from a junior exploration company to a gold and silver producer. The Company also announced the promotions of Marc Leduc to President and Mr. Elsiario Antunez de Mayolo to Vice President of Operations. Mr. Leduc will take on the new role of President and Chief Operating Officer where he will continue to head the project development

team for the Company's Santa Ana silver project, scheduled for production in the fourth quarter of 2012, and the Company's Corani silver-lead-zinc project where a feasibility study is expected to be completed during the third quarter of 2011. Mr. Antunez de Mayolo will continue in his role as General Manager of Peruvian operations, in addition to the role of Vice President of Operations.

On January 19, 2011 the Company announced an update of the silver recovery for its Santa Ana project. The feasibility study is available on SEDAR at www.sedar.com. Highlights of this update include:

- Recently completed column tests on a representative composite of the Santa Ana ore crushed to 80% passing 3/8-inch returned results that show the long-term recovery of silver is expected to be 75%. This is an improvement from 70% recovery for the 3/4-inch crushed ore.
- The rate of the recovery is significantly improved over the previous coarsely ground ore with the ultimate 75% recovery being reached in 180 days rather than the 365 day recovery cycle of the 3/4-inch crushed sample.
- Using the same silver price of \$14.50 per ounce for economic analysis, the economic results for the Santa Ana Project improve to a pre-tax NPV of \$107 million at a 5% discount rate and 30% IRR. After tax NPV increases to \$80 million and 25% IRR.
- Cash costs per ounce of silver produced decreases from \$9.02 to \$8.72 per ounce for the life of mine.
- Applying \$28.19 per ounce (London closing silver price as of January 17) to the finer crushing scenario, the NPV at 5% is \$554 million and the IRR increases to 103%.
- The details of this modification to the crushing circuit are discussed in detail in the October 21, 2010 43-101 technical report, which can be viewed on SEDAR.
- The Company filed the project ESIA with the Ministry of Energy and Mines on December 23, 2010; maintaining the timeline for expected approval during the third quarter of 2011.

3) Development Projects

3.1) Corani Silver-Lead-Zinc Project

The 100%-owned Corani project is located the Andes Mountains approximately 160 kilometers in a direct line southeast of Cusco, Peru at elevations of 4,800 to 5,100 meters above sea level. The project consists of twelve mineral concessions that form a contiguous block of ground covering 5,700 hectares.

Current Developments at Corani

Based on the positive results from a Prefeasibility Study ("PFS") on the Corani project issued on September 14, 2009, the Company commenced work on the feasibility study in 2010 with M3 Engineering of Tucson, Arizona as the lead engineer. Feasibility study activities are progressing on schedule with an expected delivery date during Q4 2011. Collection of wet season environmental data was completed during the quarter, which will be used to prepare the ESIA for the project. Geotechnical and hydrological work, including condemnation drilling in the area of the proposed tailings dam also commenced during the quarter.

Engineering activities include ongoing design changes to increase mill throughput from 15,000 tonnes per day, as designed in the PFS, to 22,500 tonnes per day. The increase in throughput will increase silver, lead and zinc production, increase capital costs and shorten the mine life, as reported in the PFS.

In May 2011 the Company reached a tentative agreement with the land owners and occupants at the Corani project to acquire all remaining surface rights access needed for mine operations as identified in the PFS for the Corani project. At Corani (as well as Santa Ana) the titled land owners are the local communities and the occupants are generally a subset of the local community. The agreement is subject to acceptance of a 2/3 vote of the owners and possessors, and registration of the agreement with regulatory authorities. The Company anticipates that the acquisition will be complete by the end of June 2011.

During the quarter ended March 31, 2011, the Company incurred expenditures of \$0.9 million on the Corani project. Included in this total are engineering costs of \$0.2 million, feasibility study costs of \$0.1 million, wages and benefits of \$0.2 million, feasibility study costs of \$0.1 Million, costs for community relations of \$0.1 million and value added tax (IGV) of \$0.1 million.

The Company had \$69.9 million of capitalized acquisition costs related to the Corani project as of March 31, 2011 (December 31, 210 \$69.6 million). During the current quarter, the Company incurred costs related to surface rights acquisitions totaling \$0.1 million.

Prefeasibility Study ("PFS") Summary

On September 14, 2009, the Company announced the results of its National Instrument 43-101 compliant PFS for the Corani project. The Corani PFS is available on SEDAR at www.sedar.com. Highlights from the study are as follows:

- 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 will produce two highly-marketable concentrates, a silver-lead concentrate and a zinc concentrate
- Cash costs per ounce of silver are estimated to be \$1.06 per ounce 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 2.9 years
- Life of mine 27 years
- Mill capacity 15,000 tonne per day
- Stripping ratio of 1.56:1 (Waste:Ore)
- Processing of crushed ore using conventional flotation recovery methods
- Recommendation to initiate feasibility study

If May 24, 2011 spot metal prices (\$35.85 silver, \$1.13 lead and \$0.97 zinc) were used in the economic model contained in the PFS, without adjusting any of the other inputs, the net present value of the project would be \$2.0 billion at a 5% discount rate. The project would also have an internal rate of return of 83%. Readers are cautioned that this information is supplementary only and although the PFS does contain some sensitivity analysis, this information should not be considered in isolation or as a substitute for the net present values and internal rates of return contained in the PFS, which were prepared in accordance with prescribed and standardized methods.

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

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	<u>111,666</u>	<u>54.3</u>	<u>0.90</u>	<u>0.43</u>	<u>194.9</u>	<u>2,215.6</u>	<u>1,058.6</u>	<u>360.3</u>	<u>100.4</u>
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

<u>Indicated</u>	<u>99,626</u>	<u>20.6</u>	<u>0.45</u>	<u>0.39</u>	<u>66.0</u>	<u>988.4</u>	<u>856.6</u>	<u>158.2</u>	<u>49.4</u>
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 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.)

3.2) Santa Ana Silver Project

The 100%-owned Santa Ana silver project is located 120 kilometers south-southeast of the city of Puno, in southern Peru, at an elevation of 4,150 to 4,300 meters. Bear Creek controls 5,400 hectares of mineral concessions that encompass the project. An updated feasibility study on the Santa Ana project, which incorporated three-stage crushing of ores, was completed on January 19, 2011.

Current Developments at Santa Ana

In late May 2011, the Peruvian government has issued a decree setting up a 180 day Multi-Sectorial Commission comprised of ministers and elected local officials to study and propose appropriate action in respect to mining activities within the provinces of Yunguyo and Chucuito while the Peruvian government resolves certain protests occurring in the Puno region. The government called for the study in response to two weeks of strikes in the region protesting mining, oil and gas, and hydroelectric activities. The Company's Santa Ana project is located within the Chucuito province. This suspension does not affect the Company's mineral rights or the status of the Santa Ana Environmental and Social Impact Assessment ("ESIA") which was in process at the time of the announced study. The Company expects to continue its permitting process with the Ministry of Energy and Mines ("MEM") and is currently preparing its responses to observations submitted by the MEM in the normal course of business. The Company will also continue its plans for the development of its Santa Ana project including its ongoing community relations and social support programs, and detailed engineering. The effect of the study will likely be to delay approval of the ESIA until late 2011 compared to the previously expected mid-2011.

The Company continues its efforts at Santa Ana to acquire the required surface rights access to the project from land owners and occupants. The titled land owners are the local communities and the occupants are generally a subset of the local community. Approximately 8% of the surface rights area required to operate the mine has been acquired to date.

In mid-April 2011 the Company received comments from the Peruvian Ministry of Energy and Mines in regards to the Company's Environmental and Social Impact Assessment ("ESIA") submittal for the Santa Ana project. The Company's responses to the Ministry of Energy and Mines are expected to be submitted by the end of June 2011.

On February 28, 2011, the Company awarded the engineering, procurement and construction management contract for the Santa Ana project to GMI S.A., a major Peruvian-based engineering and construction firm. Detailed engineering is underway along with preparation of bid documents for major equipment items required for the project.

On February 23, 2011 the public hearing for the Santa Ana project was successfully completed and attended by over 700 people from the local communities. The public hearing is an important milestone that is required as part of the ESIA approval process.

The Company released an updated NI 43-101 report on the Santa Ana project on January 19, 2011, and is available on SEDAR at www.sedar.com. A summary of the updated feasibility study is as follows:

Feasibility Study ("FS") Summary

The following summary of the FS for the Santa Ana silver project is contained within the FS entitled "Feasibility Study, Santa Ana Project, Puno, Peru, NI 43-101 Technical Report", dated October 21, 2010 and updated on January 19, 2011 to include the finer crushing of ore identified as an opportunity within the FS. The Report and update were both prepared by Scott Elfen, PE, Sean Currie, P.Eng., and Thomas Wohlford, CPG, of Ausenco Vector, John Marek, PE, of Independent Mining Consultants, Inc. ("IMC"), and Deepak Malhotra, Ph.D., of Resource Development, Inc., which Summary has been updated and conformed to be consistent with other disclosure within this MD&A.

The results of the FS are as follows:

- The Santa Ana project can be in production within the second half of 2012;
- Proven and probable mineral reserves containing 63.2 million ounces of silver are currently defined at Santa Ana;
- Santa Ana project pre-tax NPV of \$106.9 million at a 5% discount rate and IRR of 29.9% at \$14.50 per ounce silver. After tax net present value of \$80.3 million and IRR 24.9%;
- 11 year mine life producing a total of 47.4 million ounces of silver;
- Average annual saleable silver production of 5.0 million ounces per year for the first 6 years;
- Cash cost of \$8.72 per ounce silver for the 11 years LOM;
- Capital costs of \$70.8 million with capital payback in 3.0 years at \$14.50/oz Ag;
- At \$28.19 per ounce silver (London Silver spot price fix from 17 January 2011), the project would have a pre-tax IRR of 103.4% and an NPV at 5% of \$554 million. On an after tax basis the IRR would be 74.5% and NPV \$369 million;

- At silver prices of \$28.19 per ounce, after-tax cash flow estimated at \$68 million per year for the first 6 years with a 1.1 year pay back;
- Numerous upside opportunities are being explored including reductions in cash costs, and an extended mine life plan to include an additional 35.7 million ounces of silver; and
- The Santa Ana deposit remains open, mainly at depth and to the north where the northernmost holes contain up to 22 meters @ 124 g/t Ag from surface.

Property Description

The Santa Ana deposit contains silver, zinc and lead mineralization. Zinc and lead mineralization is not currently considered to be economic because it is not recovered in the heap leach processing method utilized in this FS. This report focuses on the evaluation of the economic recovery of silver.

The deposit outcrops and is roughly 1.5 km long in the north-south orientation and approximately 0.75 km wide in the east-west orientation. The deposit is best described as a high-level, low-temperature epithermal polymetallic silver deposit hosted within volcanic units. Bear Creek controls 5,400 hectares of mineral concessions that encompass the Santa Project through claims held 100% by Bear Creek.

Geology

The Santa Ana property occupies a broad volcanic upland that lies between extensive exposures of thin-bedded grey lithic sandstones and red beds that underlie the volcanics to the north and south. The central and western portion of the upland is occupied by a sequence of fine-grained andesite flows that strike generally north and dip to the west at angles ranging from 15° to 45°. To the west, these flows are capped by coarse-grained dacitic porphyry that is, in turn, overlain unconformably by a thick sequence of dacitic volcanoclastic rocks. The andesite flows are the mineral hosts. The sandstones exposed to the north and south likely underlie the host volcanic field. Total thickness of the volcanic package is not well known.

Resources and Reserves

The mineral resource is based on a block model developed by IMC and a floating cone pit geometry that was used to assure that the resource has reasonable expectation of economic extraction. The FS and the reserve and resources are based on an updated resource estimation described in a press release dated October 7, 2010. The mine sequencing performed as part of this FS by IMC is based upon 60,458 meters of drilling and assays in 349 diamond drill holes and trenches completed through June 2010. Measured and Indicated Resources contained within the FS design pit were used to determine final pit limits and thus converted respectively into Proven and Probable Reserves. In addition to reserves, 72.8 million ounces of silver remain in measured and indicated resources occurring outside of the FS pit. The following table presents the reserves and resources of the Santa Ana project.

Reserve and Resource Estimate

Mineral Reserves (Cut-off Grade variable 27 to 24 g/t silver by year)					
Category	kt	Silver (g/t)	Lead (%)	Zinc (%)	Contained Silver (million oz.)
Proven	8,951	57.6	0.37	0.66	16.6
Probable	28,126	51.5	0.33	0.55	46.6
Proven + Probable	37,077	53.0	0.34	0.58	63.2
Mineral Resources in Addition to Reserves (Cut-off Grade = 15 g/t Silver)					
Measured	13,386	34.6	0.30	0.51	14.9
Indicated	51,337	35.1	0.30	0.50	57.9
Measured + Indicated	64,723	35.0	0.30	0.50	72.8
Inferred	21,632	40.6	0.32	0.49	28.2

Note: no lead and zinc will be recovered.

Mining Plan

The Santa Ana deposit lends itself to development by conventional open pit hard rock mining techniques. Consequently, a floating cone computer algorithm was applied to the block model to establish the mineral resource component of the block model. Economic value was applied to silver only with a metal sales price of \$13.00/troy oz. resulting in a variable cut-off grade of between 24 and 27 g/t silver. No economic consideration has been applied to lead or zinc; however, a slight benefit is realized through by-product gold recovery.

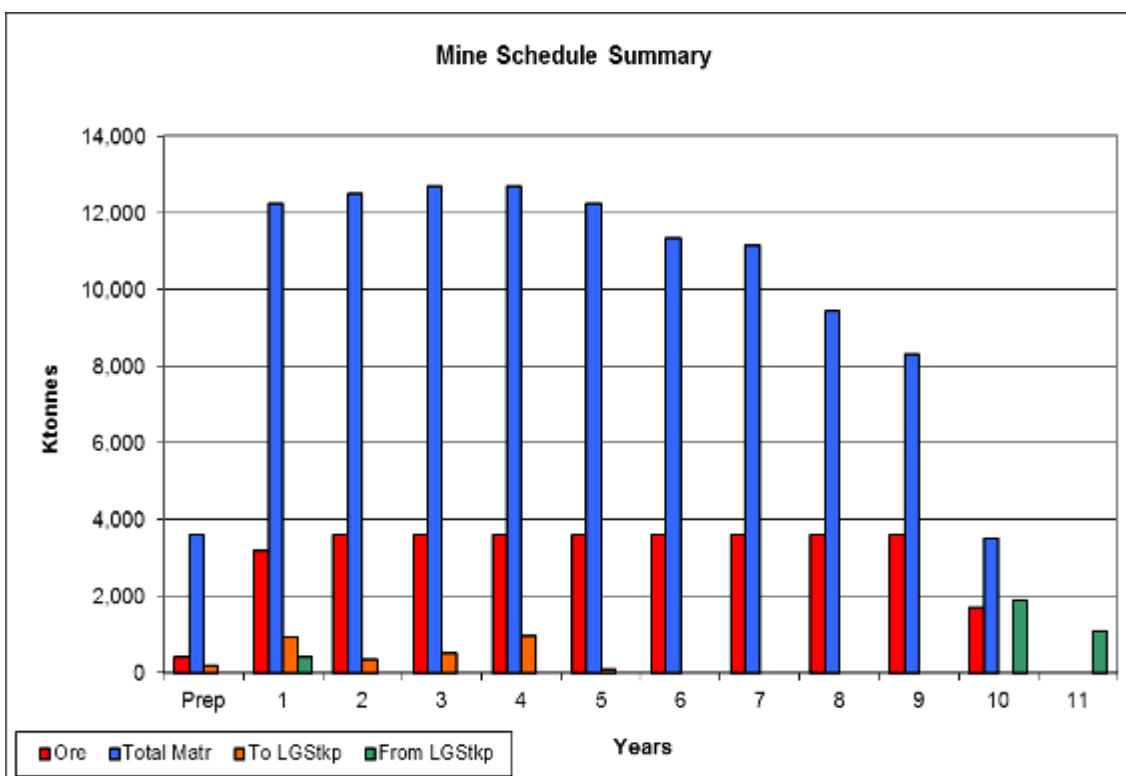
The mining plan was developed by IMC. The mine plan was developed using conventional open pit methods using 63t trucks and 8.6 m³ wheel loaders mining on 5 m high benches. The mine requires minimal pre-production waste stripping of 2.97 million tonnes. During the life of the project the overall stripping ratio will 1.96:1 (waste:ore). For the first nine and a half years of the operation, ore will be directly shipped from the pit to the crusher where the trucks will dump the ore directly into the crushing system. After crushing the ore will be loaded using an automated conveyor loading system and then be hauled to the heap leach where the ore will be placed in cells and leached using weak cyanide solution. In addition to the direct dump ore, the mining plan calls for a low-grade stockpile to be built up in the first 5 years of the mining. The low-grade stockpile will contain 2,964 kt of ore having an average grade of 29.9 g/t. The low-grade stockpile will be fed through the crusher once the main mining activity has ceased. Waste will be hauled to a single waste storage facility located approximately 1 km southwest of the pit.

The plan for the operation of the mine is to use a contract miner. IMC developed mining costs of \$1.68 per tonne of material mined (ore and waste) and \$0.71 per tonne for the re-handling of the crushed ore onto the heap leach. Separate budgetary quotes were received from local mining contractors and closely matched the detailed estimate prepared by IMC.

Key Project Assumptions

Item Description	Value
Annual Ore Production (Year 1 to end of mine life)	3,600,000 tonnes
Overall Process Recovery – Silver	70 percent
Total Processed Material	37,077,000 t
Average Silver Grade	53.0 g/t
Recovered Silver	47.4 million oz.
Overall stripping ratio	1.96:1
Life of mine (mining only)	9.5 years
Life of mine (processing)	11.2 years

Mine Schedule Summary



Metallurgy

Seven column leach test have been completed at McClelland Labs and over one-hundred leach amenability tests. The results have consistently demonstrated that the Santa Ana ore responds well to conventional heap leaching techniques. The overall recovery is expected to be 75% silver for minus 3/8-inch crushed material. At the end of 2011, McClelland Laboratories completed a column test on minus 3/8-inch crushed material the results indicated an improvement in recovery and acceleration of the silver leaching over the previous base case of 3/4-inch crushing of the ore.

Processing

Santa Ana is an epithermal polymetallic deposit hosted within volcanic rocks with significant quantities of primary silver. Considering its proximity to the surface, the ore will be mined in an open pit operation.

The main operations are blasting, ore transportation to the crushing plant which will comprise three crushing stages and two classification stages, heap leaching and recovery by Merrill-Crowe extraction. The crushed ore, 80 percent passing 9.5mm (3/8-inch) will be conveyed to the coarse ore stockpile with a live capacity of approximately 6 hrs. The reclaim system will consist of one fixed conveyor stockpile to withdraw material from the stockpile and deliver onto trucks. Trucks will be used to transport the ore from the crushed ore stockpile to the heap leach pad. The heap leach will be irrigated with a sodium cyanide solution to dissolve silver minerals and the pregnant solution will be sent to the Merrill-Crowe plant to produce a silver-zinc precipitate, which will be smelted to produce a Dore bar containing mainly silver.

The operation will treat 10,000 tpd and the estimated life of mine is 11.3 years. The design considers a heap leaching process and the average silver content is 53 g/t. The metallurgical recovery of silver by the leaching process is 75% with a 180 day leach recovery cycle. The leach cycle is divided into a 120 day primary leach and a 60 day secondary leach occurring in the lower levels of the heap.

The estimated monthly production is 328,000 ounces of silver.

The Merrill-Crowe plant was designed to treat 571 m³/hr of pregnant solution in order to assure the production mentioned above. The design includes an effluent detoxification plant to treat 120 m³/hr of solution with low cyanide content. This detoxification plant will only operate under special circumstances such as excess of barren solution produced during the rainy season.

The estimated installed power is 3,547 kW, the maximum draw power is 1,683 kW and the estimated critical consumption is 1,445 kW. The estimated power consumption is 1,132,027 kW-hr per month. Emergency backup will be provided by diesel generators of 1,500 kW of continuous service at 4,000 meters above sea level. This equipment will assure the operation of equipment critical to the metallurgical process.

The requirement of water for the operation is approximately 3.86 litres per second during the first year of operation. If the leaching operation starts in the dry season (May to September), the requirement of water will be higher. The opposite will occur during the wet season (November to April). At the start of operations, the storm water pond should contain no less than 42,000 m³ of water. When the rainy season starts, it will be important to collect the rain water through the leach pad.

Infrastructure

The project has favourable infrastructure. Access will be via a good 8 km gravel road that will be a combination of a new and improved roads requiring mostly upgrading. The new road will connect to the existing paved highway connecting the Bolivian border to the port of Ilo, Peru. The mine is 42 km from an electrical substation at Pomata and the project includes building a transmission line to the mine. The project has an excellent site for the heap leach pad resulting in a low capital and operating cost as the plant will be located immediately adjacent to the heap leach pad and ponds. The site is close to a very large alluvial aquifer that is replenished by a flowing river in the valley; wells have been drilled in the aquifer and sufficient water is available

to provide water for the mine's needs. Steps are being taken to acquire the necessary permits for water use. A 12 km pipeline from the wells to the mine will be built to transport the water.

Environmental, Permitting and Closure

The project has been designed to meet industry standards of environmental compliance. The heap leach and solution ponds have been designed industry 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 the both the heap leach and waste rock facilities that will result in safe and environmentally compliant closure of the mine. The lab tests on spent ore and waste rock have shown that the site has a very low potential to produce acid rock drainage (ARD).

The Company is currently advancing the permitting process, having submitted the Environmental and Social Impact Assessment (ESIA) to the Peruvian authorities in December 2010. All additional necessary permitting will be processed once the ESIA has been approved by the national government.

The Company has maintained good working relationships with the local communities.

Project Execution

The project is expected to be developed into a mine over the next 18 months. The figure below illustrates the major parts of the development plan. The Company presented the ESIA to the Peruvian authorities in December 2010. The governmental review period is expected to be completed during the 4th quarter of 2011. In early 2011, detailed project engineering commenced and is estimated to be completed in approximately nine months. Following ESIA approval, the Company is expected to advance the permitting process by obtaining the necessary construction and operating permits. In late 2011 and early 2012, once the proper permits are obtained, the principal off-site project infrastructure is expected to be developed. This will include the power line, the upgrading of the access road, the construction of the water supply pipeline and drilling of any additional production water wells. Any temporary construction housing will be installed in preparation for the on-site construction. Finally, the onsite construction is expected to start in the 2nd quarter of 2012, or earlier depending on the end of the rainy season and continue through the dry season. Initial production is expected to start in the first quarter of 2013, or earlier if the rainy season permits liner installation sooner.

Item / Period	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
ESIA Submittal (completed)										
Detailed Engineering										
Permitting										
Off-site Infrastructure Construction										
Site Development										
Production										

Operating Cost Estimate

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 \$1.68 per tonne of the total material moved. The cost for hauling and placing ore on the pad is estimated at \$0.71 per tonne. The process costs are estimated to be \$3.49 per tonne of processed ore (\$0.30 has been added from the original cost estimate to allow for the additional costs for moving from two stage crushing to three stage crushing) and the G&A is estimated to be \$1.17 per processed tonne or \$4.2 million per year. The average life-of-mine, on site operating cost per ounce of silver is estimated at \$8.03. Including refining charges, doré transport and Peruvian production royalties, the average cash cost per ounce is estimated at \$8.72.

Capital Cost Estimate

The project capital cost estimate has been prepared by two independent engineering companies. The mining costs were prepared by Independent Mining Consultants of Tucson, Arizona, and the process heap leach and infrastructure costs have been prepared by Ausenco Vector of Peru. The initial startup capital is estimated to be \$70.8 million and the total life of mine capital cost is estimated to be \$85.8 million. The initial capital equates to \$1.49 per ounce of silver recovered. The life of mine capital costs used in the financial model includes detailed long-term plans for heap leach expansions as well as ongoing mine closure and monitoring. Sustaining capital expenditures are estimated at an average \$1.4 million per year over the 11-year life of the mine.

Capital Cost Summary

Item	Cost
Civil Works	\$13,598,000
Water Supply	\$3,215,000
Process Plant	\$15,099,000
Auxiliary Facilities	\$5,859,000
Water Distribution	\$2,403,000
Electrical (LT & Distribution)	\$9,709,000
Crusher System *	\$6,763,000
Preproduction Mine Development & Equipment	\$9,909,000
Owners Costs	\$4,226,000
Total Initial Capital	\$70,781,000

*Note: \$2 million has been added to the crushing capital to cover the costs of an additional crushing stage over the original base case

The estimates of the Capital Costs have been prepared to a feasibility level with a 15% contingency applied to the estimates. An additional 15% has been added for Engineering Procurement and Construction Management (EPCM).

Economic Analysis

The project has a pre-tax internal rate of return (IRR) of 29.9%, a net present value of \$106.9 million at a 5% discount rate and earnings before interest, taxes, depreciation and amortization (EBITDA) of \$173 million over the 11-year life based upon \$14.50 per ounce silver. Recovered silver production in the first six years averages 5.0 million ounces per year and the project is expected to produce an average of 4.3 million payable ounces of silver per year over the 11-

year mine-life. Based upon a \$14.50 silver price, the project achieves payback of capital in approximately 3.0 years. The FS has been prepared using cost bids and estimates and production forecasts provided by qualified engineering consulting groups who have recent bids and cost structure experience relating to various Peruvian mining projects under development.

The project is sensitive to metal price and recovery. Additionally, given that the cash costs per ounce are \$8.72 per ounce of silver, the project is also sensitive to variations in operating costs. The project is least sensitive to capital cost variations as demonstrated by the relatively low cost of \$1.49 per produced ounce for the initial capital.

If the May 24, 2011 spot metal price for silver of \$35.85 was used in the economic model contained in the FS, without adjusting any of the other inputs, the net present value of the project would be \$530 million at a 5% discount rate. The project would also have an internal rate of return of 97%. Readers are cautioned that this information is supplementary only and although the FS does contain some sensitivity analysis, this information should not be considered in isolation or as a substitute for the net present values and internal rates of return contained in the FS, which were prepared in accordance with prescribed and standardized methods.

Sensitivities to various parameters are summarized below:

Cost Sensitivities

Case	IRR	NPV @ 5%	NPV @ 0%
Base Case	30%	\$106.9M	\$173.3M
Recovery +10%	39%	\$152.1M	\$237.5M
Recovery -10%	21%	\$61.71M	\$109.1M
Metal Price +10%	39%	\$154.3M	\$240.6M
Metal Price -10%	20%	\$59.5M	\$105.9M
Initial Capital Cost +10%	27%	\$79.0M	\$136.7M
Initial Capital Cost -10%	35%	\$113.4M	\$180.4M
Operating Cost +10%	24%	\$79.9M	\$135.3M
Operating Cost -10%	35%	\$133.9M	\$211.4M
Metal Prices Jan. 17, 2011 - \$28.19/oz Ag	103%	\$553.6M	\$807.8M

Note:

Base case price is \$14.50/oz Silver; London Silver spot price fix from 17 January 2011 = \$28.19/oz Ag .All values are pre-tax.

Opportunities

The study has identified areas of opportunities that are currently being analysed in detailed engineering, column leach test work and future exploration.

Organic Growth - The FS leaves 36 million ounces of measured and indicated silver resources in either stockpiles or pit walls that can lead to expanded mine life on the order of 50%. Relatively minor additional capital will be required in order to increase the size of the heap leach pad and waste dump sites for which there is ample area for expansions.

Exploration Upside - The deposit is still open at depth, to the north and northwest, and the "North" anomaly is under-explored.

Operating Cost Reductions - The project is sensitive to operating costs. The Company and its consultants believe that, once the project is in operation, many of the reagent consumption levels used in the FS will be reduced with a beneficial effect on the operating costs.

Conclusions & Recommendations

This Report recommends proceeding with detailed engineering and permitting based on:

- Positive economics with excellent exposure to up-side silver prices;
- Well-defined resources open to expansion and potential conversion to reserves;
- Favourable infrastructure; heap leach, power and access;
- Available local water supply;
- Well-defined permitting path; and
- Local community acceptance.

The study has identified areas of opportunities that will be analysed in ongoing engineering studies and test work:

- Investigate reducing the process plant footprint to reduce capital costs; and
- As the sensitivity analysis shows, the project is sensitive to operating costs. BCM and its consultants will explore opportunities for reducing operating costs mainly through reducing reagent consumption both in ongoing leaching tests and after operations start-up.

(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: capital cost estimates 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 FS 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 FS will ever be realized. Should one or more of the risks or uncertainties involved in forward-looking statements relating to the FS materialize, or should the assumptions underlying the FS prove incorrect, actual results of the FS may vary materially from those anticipated, believed, estimate or expected.)

During the three months ended March 31, 2011, the Company incurred expenditures of \$1.7 million on the Santa Ana project. Included in this total are engineering expenditures of \$0.5 million, salaries and wages of \$0.4 million, operating expenses of \$0.2 million, community relation costs of \$0.2 million and value added taxes (IGV) of \$0.2 million.

As of March 31, 2011, the Company had \$0.9 million of capitalized acquisition costs related to the Santa Ana project (December 31, 2010: \$0.8 million). During the three months ended March 31, 2011, the Company incurred costs relating to the acquisition of surface rights totaling \$0.1 million.

4) Exploration Projects

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. Several 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.

4.1) 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. Tassa is located approximately 160 kilometers northwest and 230 kilometers south of the Company's Santa Ana and Corani silver deposits respectively. Initial field work included eighty-seven rock chip and trench samples averaging 61 g/t silver which is similar to the resource grade at Santa Ana. Significantly, however, while the average gold value in all sampling is <0.005 g/t, Tassa locally exhibits gold values up to 0.49 g/t with a tendency for higher gold zoning with depth indicating that unlike Santa Ana, Tassa has potential for a gold credit under heap leach conditions. Bottle role tests performed at ALS Chemex labs 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.

Beginning in 2009, focus shifted from exploring Tassa for a near surface, silver heap leach deposit towards defining more gold-rich portions of the mineralized system as well as near-surface, bulk-tonnage, disseminated silver mineralization. Tassa is located approximately 15 kms 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. Mineralization at Chucapaca reportedly remains open and current resources are 83.7 MT averaging 1.9 g/t Au and 8.2 g/t Ag (5.4 million ounces of gold and 21 million ounces of silver). Similarly to Chucapaca, mineralization at Tassa is contained within multiple phases of phreatic, hydrothermal, tectonic and phreatomagmatic breccias, strongly fractured rhyolitic volcanics, and brecciated sediments. The target at Tassa was increased in size to 1.5 km by 800 meters defined by a silver anomaly where 852 rock chip samples (including trenches) average 30.71 g/t silver and up to plus 1 g/t gold in more scattered anomalies. An Induced Polarization survey completed in 2010 defined several high chargeability anomalies, which are related to increased fine black sulfides containing elevated levels of silver and gold.

From June through November 2010, fifteen diamond drill holes totaling 3677.4 meters were completed in a Phase I drill program. Phase II drilling is scheduled to commence in the second quarter of 2011 and will follow up on numerous mineralized intercepts from Phase I including up to 60 meters averaging 224.2 g/t Ag from 24 to 84 meters depth (drill hole T-4) (see news release dated 12/6/2010) and 40 meters averaging 110.7 g/t Ag from 2 to 42 meters depth (drill hole T-2) as well as scattered anomalous gold intercepts with up to 1.24 g/t Au over 2 meters.

Subsequently surface mapping has identified breccia complexes 1 km further to the north suggesting the continuation of the hydrothermal breccia complex below the Mesozoic sediments and expanding the target area by two-fold. In addition, new surface geochemistry sampling has identified a 1.04 g/t gold and 0.55% copper anomaly in quartz-sulfide veinlets which cut the

rhyolitic volcanics indicating that gold mineralization is originating from an underlying untested source. Stratigraphic studies suggest that the favorable sediments were not reached in the Phase I drilling; therefore, Phase II drilling will test deeper in the system (up to 450 meters depth) where favorable sedimentary formations which host the nearby Chucapaca mineralization are believed to exist in contact with the breccia complexes. Future drilling will also focus on new targets adjacent to the breccias complexes located over the northernmost three by two kms of the concessions where geologic mapping and sampling have again expanded the target area. The Phase II program, in the final stages of permitting, will consist of approximately 3,000 meters in eight drill holes and is estimated to commence in late Q2 2011.

4.2) Le Yegua Copper-Gold-Molybdenum Prospect

La Yegua is 100% owned by the Company and located 20 kms northeast of the 200 MT Los Chancas copper/gold/moly deposit in a prolific porphyry copper belt that also contains the Las Bambas, Huaquira, Constancia, Tintaya and Antapaccay mines. In October 2010, Bear Creek has entered into a joint venture agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") to advance the La Yegua Project into Phase II drilling. The agreement provides for JOGMEC to earn a 51% interest through investing US\$3M over a three-year period, of which \$0.4 million has been spent as of March 31, 2011. Previous drilling, which intersected up to 114 meters with 0.24% copper and 0.03 g/t gold, was restricted to a small portion of the altered intrusive complex before being terminated prior to completion. Recent work performed under the new JV agreement has identified at least two high-chargeability anomalies defined by Induced Polarization/ Resistivity surveys. These two targets, measuring 700 x 300 meters and 500 x 300 meters, are located at shallow depths 600 meters east and 1.5 kms south-west of previous drilling and strongly suggest the presence of untested porphyry targets. One anomaly is associated with a potassic- propylitic altered quartz-feldspar porphyry intrusive with anomalous copper (500 ppm). Geologic mapping and re-logging of drill core is being performed prior to the decision to commence Phase II drilling in the second quarter of 2011.

4.3) Alejandra Gold Prospect

The Company has recently entered into an option agreement with a Peruvian third party to acquire 1,000 hectares in northern Peru in a volcanogenic massive sulfide ("VMS") complex hosting gold and base metal mineralization. The option agreement allows the Company to acquire a 100% interest for payments totaling US\$2.64 M over five years with the initial payment being US\$15,000. Alejandra is located within the same volcanic complex as the Tambo Grande VMS deposit, located 30 kms to the south-west, which hosts 1.9M ounces gold and 34M ounces silver averaging 3.5 g/t Au and 64 g/t Ag (oxide deposit) and 191 MT averaging 1.3% Cu, 1.2% Zn, 0.6 g/t Au and 23 g/t Ag (sulfide deposits) as reported by Manhattan Minerals in 2002.

At Alejandra, initial geologic mapping and surface sampling defines a target area 4 by 1.5 kms with four styles of mineralization typically associated with VMS ore bodies: mantos, veins, stockwork and breccia zones. The mantos are composed of sub-horizontal lenses hosted in marine volcanoclastic rocks with 0.5 to 1.5 mts width and values up to 3.6 g/t gold, 28.9 g/t silver and 0.83% Zn. Veins are comprised of at least two structures with an approximately length of 2 km, 0.2 to 2.0 mts wide containing values up to 9.6 g/t gold, 61.1 g/t silver, 0.11% copper, 0.19% lead and 0.20% zinc. The stockwork zone, characterized by quartz-pyrite veining with sericitic halos, is located in a pervasively altered volcanic rock containing values up to 0.13 g/t gold, 25.6 g/t silver and 0.13% lead with highly anomalous As, Ba, Cu, Hg, Sb. A hydrothermal breccia discovered by trenching through shallow soil cover contains up to 0.76 g/t gold, 29.8 g/t silver and 0.30% lead. Importantly, over 60% of the area is covered with thin soil and the more favorable Ereo Formation hosting the large VMS deposits at Tambo Grande underlie the mineralized outcrops at Alejandra at depths likely less than 200 meters. A geophysical program

will be designed to define targets buried under shallow soil cover and additional geologic mapping will be done to better delineate targets for Phase I drilling program comprised of 1,500 meters in 10 drill holes to commence in second half of 2011. Community relations with local populations are favorable at Alejandra.

4.4) Sumi Gold Prospect

The Company holds a 100% interest comprised of 1,200 hectares in a discovery located in the Au-Ag Tertiary-age epithermal belt in central Peru where alteration and mineralization in the area is typical of a volcanic-hosted, high- sulfidation system. To date, eleven (11) preliminary surface rock chip samples have returned precious metal values including 5 g/t gold and 156 g/t silver in a vein-breccia structure with 0.3 to 2.0 meters width and 0.57 g/t gold and 82.6 g/t silver in a vuggy silica altered volcanic rock. Eight of the eleven samples contained highly anomalous gold > 100 ppb. The prospect was partially tested in 2003 and 2006 by a third party with limited drilling reportedly intersecting multi-gram gold over intervals ranging from 2 to over 47 meters beginning at the surface. The program totaled approximately 4,600 meters but did not test outcrop areas where BCM sampling has yielded 5 g/t Au. Bear Creek's initial work indicates that a large prospective area remains untested, including favorable sedimentary Mesozoic formations similar to Tassa/Chucapaca. Plans are to complete detailed surface mapping and sampling in preparation for Phase I drilling estimated to commence in the second half of 2011.

4.5) 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 \$0.4 million represents the amount of IGV that has been paid to the Peruvian government during the three months ended March 2011. This amount is recoverable when there are future revenues generated by the Company in Peru.

Bear Creek is an exploration stage company and there can be no reasonable assurance that future revenue will be generated. As a result of this, the IGV receivable has been expensed. The IGV expense is denominated in Peruvian soles and as of March 31, 2011, the total value of the IGV paid to date by Bear Creek was \$7.9 million (2.2 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.

5) Results of Operations

Three Months Ended March 31, 2011 as compared to the Three Months Ended March 31, 2010.

In the current quarter, the Company incurred a net loss of \$4.7 million as compared to a net loss of \$2.5 million for 2010, an increase in net loss of \$2.2 million. In the current quarter, the Company had a loss per share of \$0.05 as compared to \$0.04 for 2010. The increase in net loss was principally due to a \$3.3 million increase in operating expenses, from \$2.8 million in 2010 to \$6.1 million in 2011. Exploration expenditures increased from \$2.2 million to \$3.2 million, an increase of \$1.0 million in 2011, which was principally due to an increase in exploration and development activity at the Company's Corani and Santa Ana projects. Operating expenses also include a \$2.2 million increase in non-cash share-based compensation, from \$0.1 million in 2010 to \$2.3 million in 2011. The \$2.2 million increase resulted from an increase in share option grants to 1.0 million in 2011, versus 0.2 million in 2010.

Operating expenses for 2010 were reduced by a net foreign exchange gain of \$0.6 million principally relating to the Company's Canadian dollar cash balances and the strengthening of the Canadian dollar relative to the US dollar. In addition, the Company recorded a \$0.8 million gain on the early extinguishment of its liability to Rio Tinto, which related to the acquisition of the Corani project.

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 IFRS (2011 and 2010) Canadian GAAP (2009) 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 2011	Nil	\$ 4.7	\$ 0.05
4 th Quarter 2010 ¹	Nil	\$ 4.4	\$ 0.05
3 rd Quarter 2010 ¹	Nil	\$ 4.1	\$ 0.06
2 nd Quarter 2010 ¹	Nil	\$ 5.3	\$ 0.08
1 st Quarter 2010 ¹	Nil	\$ 2.5	\$ 0.04
4 th Quarter 2009 ²	Nil	\$ 1.4	\$ 0.02
3 rd Quarter 2009 ²	Nil	\$ 3.7	\$ 0.07
2 nd Quarter 2009 ²	Nil	\$ 1.9	\$ 0.03

¹ revised under IFRS.

² as reported under Canadian GAAP.

The reduction of loss for the third quarter of 2010 resulted primarily from a reduction in drilling costs on the Santa Ana project.

The increase in loss for the second quarter of 2010 resulted primarily from an increase in exploration and development activities on the Company's Corani and Santa Ana Projects,

specifically relating to the feasibility study costs on Corani and Santa Ana Projects and drilling costs on the Santa Ana project.

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 of 2009 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 study work on the Corani project.

6) Liquidity and Capital Resources

Of the \$115.8 million in cash and cash equivalents and short term investments as of March 31, 2011, approximately \$19.9 million (CDN\$19.2 million and Soles\$0.4 million) was denominated in Canadian dollars and Peruvian soles, with the remaining balance 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 March 31, 2011 the Company had 92,043,639 outstanding common shares. As at March 31, 2011, the Company's net working capital was \$115.3 million compared to a net working capital of \$131.8 million as at December 31, 2010. The cash balance at March 31, 2011 was \$115.7 million compared to \$143.8 million as at December 31, 2010. As of March 31, 2011, current liabilities were \$0.8 million compared to \$12.4 million (which included \$11.1 million owed to Rio Tinto) as at December 31, 2010. On January 10, 2011, \$1.1 million included in current liabilities was paid to Rio Tinto. On February 4, 2011, \$23.0 million was paid to Rio Tinto in full settlement of all remaining amounts owed to Rio Tinto, of which \$10.0 million was included in current liabilities.

As at May 24, 2011, the Company had 92,161,639 outstanding common shares. The Company also had 3,118,500 share purchase options outstanding with a weighted average exercise price of CDN\$6.21.

Expenditures under consideration for 2011 fiscal year include the continuation of the environmental studies and acquisition of the mining permits for Santa Ana, and the continuation of the feasibility study on Corani. The total costs estimated to be spent on Santa Ana and Corani during calendar year 2011 is \$9.9 million, of which approximately \$2.6 million has been spent through March 31, 2011. The Company will also continue exploration programs on other projects, which includes drilling and evaluation of the Tassa project, and initial phase exploration activities on the Alejandra and Sumi projects to assess if these prospects warrant drilling later this year. Exploration spending will vary depending on success of the exploration programs.

The Company believes that as a result of the recently completed 4Q 2010 equity financing with gross proceeds of \$129.4 million, the Company has the necessary funds to complete the development and construction of its Santa Ana mine and to provide enough resources for the Company to meet its ongoing obligations through the start-up of production at Santa Ana. The Company anticipates that commencing in 2013, the Santa Ana project will generate sufficient cash flow to fund its ongoing exploration and other activities. However, the Company may decide to advance the Corani project towards development upon expected completion of the feasibility study in the second half of 2011, in which case the Company will have to obtain financing either by way of share issuance, debt financing and/or by other financing alternatives to fund its capital requirements for the Corani project.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations in the future. The Company has had no source of revenue to date, and has significant cash requirements to fund its development project capital requirements, continue with its exploration programs, administrative overhead and maintain its mineral properties.

The following table summarizes the contractual maturities of the Company's financial liabilities, and operating and capital commitments at March 31, 2011:

(000's)	2011	2012	2013	2014	2015 and beyond	Total
Accounts payable and accrued liabilities	\$ 831	\$ -	\$ -	\$ -	\$ -	\$ 831
Provisions	-	-	-	-	300	300
Property option payments	30	95	500	500	1,500	2,625
Property expenditure commitments	67	-	-	-	-	67
Operating leases	168	99	102	-	-	369
	\$ 1,096	\$ 194	\$ 602	\$ 500	\$ 1,800	\$ 4,192

Financing Activities

During the three months ended March 2011, the Company received cash proceeds of \$0.1 million from the exercise of 82,500 options. The Company also paid Rio Tinto \$24.1 million during the quarter in full settlement of all amounts owed to Rio Tinto for the Corani project.

Investing Activities

During the three months ended March 2011, the Company paid \$0.2 million for leasehold improvements at its new corporate offices in Lima, Peru, and paid \$0.3 million for land access rights at the Corani and Santa Ana projects.

7) Related Party Transactions

Trading transactions

Certain of the Company's officers and directors render services to the Company as sole proprietors or through companies in which they are an officer, director or partner.

	Nature of transactions
DuMoulin Black LLP	Legal fees
Estudio Grau S.C.R.L.	Legal fees
Avisar Chartered Accountants (ended January 31, 2011)	Accounting fees
Chairman of the Board of Directors (ended December 31, 2010)	Consulting fees

The Company incurred the following fees and expenses in the normal course of operations in connection with related parties. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

(000's)	Note	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Legal fees		\$ 110	\$ 20
Consulting fees	(i)	-	18
Accounting fees		9	26
	(ii)	\$ 119	\$ 64

(i) The Company paid fees to one of its directors for consulting services performed outside of their capacity as a director.

(ii) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at March 31, 2011 included \$35 (December 31, 2010 - \$158; January 1, 2010 - \$47) which were due to individuals or companies whose officers, directors or partners were also officers or directors of the Company.

Compensation of key management personnel

The remuneration of the directors, chief executive officer, president and chief operating officer, chief financial officer and vice president of operations (collectively, the key management personnel) during the three months ended March 31, 2011 and 2010 were as follows:

(000's)	Note	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Salaries and directors' fees	(i)	\$ 277	\$ 135
Share-based compensation	(ii)	1,924	213
		\$ 2,201	\$ 348

(i) Salaries and directors' fees include consulting fees disclosed in Note 11(a).

(ii) Share-based compensation represents the fair value of options granted to key management personnel, translated at the grant date foreign exchange rate.

(iii) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three months ended March 31, 2011 and 2010.

8) Critical Accounting Policies and Estimates

The details of Bear Creek's accounting policies are presented in note 3 of the interim 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.

Mineral Properties and Exploration Costs

The Company capitalizes the direct costs of acquiring mineral property interests. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

Exploration and evaluation costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration and development costs are capitalized. Exploration costs include value-added taxes because the recoverability of these amounts is uncertain.

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.

Impairment of Non-financial Assets

The carrying amounts of non-financial assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Non-financial assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the statement of loss.

Share-Based Compensation

The Company grants stock options to directors, officers, employees and other service providers. Option terms and vesting conditions are at the discretion of the Board of Directors. In general, options are granted for a term of five years with vesting of 25% on the date of grant, 25% six months from the date of grant, 25% one year from the date of grant and 25% eighteen months from the date of grant. The option exercise price is equal to the closing market price on the TSX Venture Exchange on the day preceding the date of grant.

The fair value method of accounting is used for stock-based compensation. Under this method, the cost of stock options and other equity-settled share-based payment arrangements is recorded based on the date of grant estimated fair value of each tranche using the Black-Scholes option pricing model, and charged to earnings over the vesting period. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is reversed in the period the forfeiture occurs.

9) Financial Instruments

The Company's financial instruments as at March 31, 2011 consist of cash and cash equivalents, short-term investments, receivables, and accounts payable and accrued liabilities. The fair value of these instruments approximates their carrying value. There were no off-balance sheet financial instruments.

Cash and cash equivalents consist solely of cash deposits with major Canadian banks.

The Company does not use derivative or hedging instruments to reduce its exposure to fluctuations in foreign currency exchange rates involving the Canadian dollar or Peruvian Sol.

10) Conversion to International Financial Reporting Standards (“IFRS”)

Effective January 1, 2011 Canadian publicly listed companies were required to prepare financial statements in accordance with IFRS for interim and annual periods. Due to the requirement to present comparative financial information, the effective transition date is January 1, 2010. The three months ended March 31, 2011 is the Company's first reporting period under IFRS.

The standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that the Company has selected. The International Accounting Standards Board is currently working on an extractive industries project, which could significantly impact our financial statements primarily in the areas of capitalization of exploration costs and disclosures. The impact of any new IFRSs and IFRIC Interpretations will be evaluated as they are drafted and published.

Note 14 to the consolidated interim financial statements included contains more detail on our key Canadian GAAP to IFRS differences, our accounting policy decisions and IFRS 1, First-Time Adoption of International Financial Reporting Standards, optional exemptions for significant or potentially significant areas that have had an impact on our financial statements on transition to IFRS or may have an impact in future periods. A summary of these differences is presented below:

Significant accounting impacts of conversion to IFRS

As a result of the accounting policy differences on conversion from Canadian GAAP to IFRS resulting from derecognition of the impact of future income tax liabilities which had previously been recognized on the acquisition of the Corani project., the Company recorded a reduction in the shareholders' equity of \$728,000 as of January 1, 2010, and \$471,000 and \$108,000, as at March 31, 2010 and December 31, 2010, respectively. The following table summarizes the adjustments to shareholders' equity on adoption of IFRS on January 1, 2010, and at March 31, 2010 and December 31, 2010 for comparative purposes:

(000's)	December 31, 2010	March 31, 2010	January 1, 2010
Equity under Canadian GAAP	\$ 188,544	\$ 74,636	\$ 77,212
Income tax recovery	(726)	(333)	(225)
Foreign exchange (gain) loss on deferred tax liability	618	(138)	(503)
Equity under IFRS	\$ 188,436	\$ 74,165	\$ 76,484

In transition to IFRS, the Company recorded a reduction in loss and comprehensive loss of \$959,000 and \$810,000 for the year ended December 31, 2010 and the three months ended March 31, 2010, respectively. The following table summarizes the adjustments to loss and comprehensive loss for the three months ended March 31, 2010 and the year ended December 31, 2010 under IFRS:

(000's)	December 31, 2010	March 31, 2010
Loss and comprehensive loss under		
Canadian GAAP	\$ 17,281	\$ 3,280
Share-based compensation	(339)	(554)
Income tax recovery	501	108
Foreign exchange (gain) loss on deferred tax liability	(1,121)	(364)
Loss and comprehensive loss under IFRS	 \$ 16,322	 \$ 2,470

The transition to IFRS has resulted in a minor presentation changes to the statement of loss and comprehensive loss, and no changes to the presentation of the balance sheet, statement of cash flows and statement of changes in equity.

The presentation change to the statement of loss and comprehensive includes finance income, which under IFRS includes interest and gains on marketable securities. This change is within the statement of loss and comprehensive loss resulting in no net impact to the Company's loss.

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