

BEAR CREEK MINING CORPORATION

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2008

EXPRESSED IN US FUNDS

(Unaudited)

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

Statement 1

U.S. Funds
 Unaudited

		As at 31 March 2008	As at 31 December 2007
ASSETS			
Current	Cash and cash equivalents	\$ 9,833,346	\$ 10,848,072
	Short-term investments (Note 4)	71,950	5,148,477
	Prepaid expenses and advances	202,162	203,587
		<u>10,107,458</u>	<u>16,200,136</u>
Equipment (Note 5)		278,535	289,867
Resource Property Costs (Note 6)		<u>5,275,000</u>	<u>2,275,000</u>
		<u>\$ 15,660,993</u>	<u>\$ 18,765,003</u>

LIABILITIES

Current	Accounts payable and accrued liabilities	\$ 535,842	\$ 657,208
Asset Retirement Obligation (Note 7)		<u>275,000</u>	<u>275,000</u>
		810,842	932,208

SHAREHOLDERS' EQUITY

Share Capital	Authorized: (Note 8a) Unlimited common shares without par value		
	Issued and fully paid:		
	46,611,023 (2007 - 45,217,023) common shares	49,749,493	49,034,260
	Contributed surplus (Note 8b)	11,406,663	10,980,418
		<u>61,156,156</u>	<u>60,014,678</u>
Deficit - Statement 2		<u>(46,306,005)</u>	<u>(42,181,883)</u>
		<u>14,850,151</u>	<u>17,832,795</u>
		<u>\$ 15,660,993</u>	<u>\$ 18,765,003</u>

Nature of Business and Going Concern (Note 1)

Commitments (Note 11)

Subsequent events (Note 12)

ON BEHALF OF THE BOARD:

"Catherine McLeod-Seltzer" _____, Director

"Andrew Swarthout" _____, Director

See Accompanying Notes

Bear Creek Mining Corporation
(An Exploration Stage Company)

Statement 2

Interim Consolidated Statements of Loss, Comprehensive Loss and Deficit
For the Three Months Ended 31 March

U.S. Funds
 Unaudited

	2008	2007
Operating Expenses		
Exploration costs - schedule	\$ 2,971,811	\$ 1,653,712
Stock-based compensation expense <i>(Note 8b)</i>	434,573	466,676
Wages and management salaries	201,953	67,761
Professional fees	140,639	56,526
Shareholder information and filing fees	134,726	99,898
Travel	48,694	41,770
General administrative expenses	60,940	59,061
Amortization	910	910
Loss before the undernoted income (expenses)	(3,994,246)	(2,446,314)
Foreign exchange gain/ (loss)	(280,867)	56,214
Interest income	154,010	57,499
Gain (loss) on investments <i>(Note 4)</i>	(3,019)	-
	(129,876)	113,713
Loss and Comprehensive Loss for the Period	(4,124,122)	(2,332,601)
Deficit - Beginning of period	(42,181,883)	(28,181,444)
Deficit - End of Period	\$ (46,306,005)	\$ (30,514,045)
Loss per Share - Basic and Diluted	\$ (0.09)	\$ (0.06)
Weighted Average Number of Shares Outstanding	46,192,166	42,243,832

See Accompanying Notes

Bear Creek Mining Corporation
(An Exploration Stage Company)

Statement 3

Interim Consolidated Statements of Cash Flow
For the Three Months Ended 31 March

U.S. Funds
Unaudited

	2008	2007
Operating Activities		
Loss and comprehensive loss for the period	\$ (4,124,122)	\$ (2,332,601)
Items not affecting cash:		
Stock-based compensation	434,573	466,676
Amortization included in exploration costs	18,984	9,849
Amortization	910	910
Shares received on options payments	(28,271)	-
	<u>(3,697,926)</u>	<u>(1,855,166)</u>
Changes in non-cash working capital:		
Prepaid expenses and advances	1,425	8,576
Accounts payable and accrued liabilities	(121,366)	(200,260)
Cash used in operating activities	<u>(3,817,867)</u>	<u>(2,046,850)</u>
Investing Activities		
Purchase of equipment	(8,562)	(4,584)
Resource Property Acquisition costs	(3,000,000)	(2,000,000)
Short-term investments	5,104,798	-
Cash used in investing activities	<u>2,096,236</u>	<u>(2,004,584)</u>
Financing Activities		
Share capital and warrants issued - net	706,906	6,061,551
Cash received from financing activities	<u>706,906</u>	<u>6,061,551</u>
Net Increase (Decrease) in Cash Position	(1,014,726)	2,010,117
Cash position - Beginning of period	<u>10,848,072</u>	<u>5,024,649</u>
Cash Position - End of Period	\$ 9,833,346	\$ 7,034,766

Non-cash Investing and Financing Activities

Fair value of options and warrants exercised	\$ 8,327	\$ 114,240
--	----------	------------

See Accompanying Notes

Bear Creek Mining Corporation
(An Exploration Stage Company)

Schedule

Interim Consolidated Schedule of Exploration Costs
For the Three Months Ended 31 March

U.S. Funds
Unaudited

		2008	2007
Corani	Salary and consulting	\$ 473,005	\$ 263,195
	Drilling	226,272	520,589
	Geophysics	122,498	7,945
	Travel	116,133	101,069
	Supplies and general	35,190	27,404
	Maintenance costs	13,996	24,148
	Assaying and sampling	12,813	62,941
			<u>999,907</u>
Santa Ana	Drilling	609,283	-
	Salary and consulting	249,144	26,876
	Travel	96,134	2,227
	Supplies and general	87,026	9,677
	Assaying and sampling	86,328	13,190
	Maintenance costs	56,266	-
	Geophysics	4,787	-
		<u>1,188,968</u>	<u>51,970</u>
Don Marcelo	Drilling	24,082	-
	Maintenance costs	19,000	30,000
	Assaying and sampling	12,008	97
	Salaries and consulting	6,604	7,365
	Travel	6,207	-
	Supplies and general	3,241	569
		<u>71,142</u>	<u>38,031</u>
Antash	Expenditures	14,944	-
	Reimbursement of expenses	-	-
		<u>14,944</u>	<u>-</u>
La Yegua	Expenditures	17,125	-
	Option payments	(28,271)	-
		<u>(11,146)</u>	<u>-</u>
Generative	Salaries and consulting	181,951	29,762
	Supplies and general	84,575	124,348
	Travel	27,259	11,404
	Assaying and sampling	8,303	5,697
	Maintenance costs	3,839	900
	Geophysics	1,441	2,244
		<u>307,368</u>	<u>174,355</u>
Other Properties		<u>81,928</u>	<u>224,503</u>
IGV		<u>318,700</u>	<u>157,562</u>
Costs for the Period		<u>\$ 2,971,811</u>	<u>\$ 1,653,712</u>

See Accompanying Notes

Notes to Interim Consolidated Financial Statements

31 March 2008

US Funds
Unaudited

1. Nature of Business and Going Concern

Bear Creek Mining Corporation's ("Bear Creek" or the "Company") business is acquiring and exploring mineral properties principally located in Peru with the objective of creating value for shareholders by identifying economic mineralized deposits which can be sold or developed.

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

While these unaudited interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future, there are events and conditions that cast significant doubt on the validity of that assumption. The Company has incurred losses since inception and has an accumulated deficit of \$46,306,005 at 31 March 2008. The Company has payment obligation to Rio Tinto, subject to closing of the purchase agreement, of \$20 million due on or before 31 December 2008 and \$25 million due on or before 31 December 2009 (note 6 (a)). The Company will need to raise sufficient funds to meet this obligation as well as fund ongoing exploration and administration expenses. Management believes that based upon the underlying value of its Corani and Santa Ana projects, that it will be able to obtain the necessary financing to meet the Company's requirements on an ongoing basis; however, there can be no assurance that the necessary financing will be obtained. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Significant Accounting Policies

The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and follow the same accounting policies and methods consistent with those used in the preparation of the most recent annual audited consolidated financial statements except as noted below. The interim consolidated financial statements do not include all information and note disclosures required by Canadian GAAP for annual financial statements, and therefore should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended 31 December 2007.

Change in Accounting Policies

The Company adopted the provisions of CICA Sections 1535 Capital Disclosures; Section 3862 – Financial Instruments – Disclosures; and Section 3863 Financial Instruments – Presentation on 1 January 2008 which addresses the Company's objectives, classification, policies and processes for managing capital, and disclosure about the nature and extent of risk arising from financial instruments and how the Company manages those risks (note 3).

Notes to Interim Consolidated Financial Statements

31 March 2008

US Funds
Unaudited

3. Financial Instruments

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

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

Management of capital risk

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

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 adjust the amount of cash and cash equivalents and investments. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. In order to maximize ongoing development efforts, the Company does not pay out dividends.

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

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.

(a) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Peru and a portion of its expenses are incurred in Canadian dollars and Peruvian Soles. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and the Peruvian Soles to the US dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At 31 March 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and Peruvian Soles:

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

31 March 2008

US Funds
Unaudited

	31 March 2008 US\$	31 December 2007 US\$
Cash and cash equivalents	3,921,951	5,211,041
Accounts payable and accrued liabilities	264,713	235,601

Based on the above net exposures as at 31 March 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar and Peruvian Soles against the US dollar would result in an increase/decrease of \$365,723 in the Company's net earnings.

(b) Credit risk

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

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

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (note1). The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is limited because these investments, although available for sale, are generally held to maturity.

(e) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

4. Short-term Investments

Details are as follows:

	31 March 2008	31 December 2007
Chapleau Shares	\$ 45,015	\$ 20,411
Term Deposits	26,935	5,128,066
Total Short-term Investments	<u>\$ 71,950</u>	<u>\$ 5,148,477</u>

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

31 March 2008

US Funds
Unaudited

At 31 March 2008 the Company holds 143,792 (31 December 2007 – 55,556) shares of Chapleau Resources Ltd. (“Chapleau”) (Note 6f). The fair value and the cost are as follows:

	31 March 2008	31 December 2007
Fair value	\$ 45,015	\$ 20,411
Cost	48,034	20,411
Unrealized loss (cumulative)	\$ 3,019	\$ -

5. Equipment

Details are as follows:

	31 March 2008			31 December 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 29,162	\$ 17,644	\$ 11,518	\$ 29,162	\$ 16,734	\$ 12,428
Exploration equipment	447,356	180,339	267,017	438,794	161,355	277,439
	\$ 476,518	\$ 197,983	\$ 278,535	\$ 467,956	\$ 178,089	\$ 289,867

6. Resource Property Costs

Cumulative resource expenditures, per project under active exploration as at 31 March 2008, are as follows:

	Capitalized Acquisition Costs	Future Reclamation Costs	Maintenance Costs	Exploration Costs	Total Incurred to 31 March 2008
Corani Project, Peru	\$ 5,000,000	\$ 200,000	\$ 40,684	\$ 15,508,355	\$ 20,749,039
Santa Ana Project, Peru	-	75,000	120,751	49,07,155	5,102,906
	\$ 5,000,000	\$ 275,000	\$ 161,435	\$ 20,415,510	\$ 25,851,945

a) Corani Project

By letter of understanding dated 19 January 2005 and subsequently formalized by an option agreement dated 15 March 2007, the Company entered into an agreement with Rio Tinto Mining and Exploration Limited (“Rio Tinto”), whereby the Company had the right to earn a 70% interest in the Corani property located in southeastern Peru, subject to Rio Tinto’s claw-back right, for total payments of \$5.4 million. By 31 December 2007, the Company had incurred payments of \$2.4 million of which \$2 million have been capitalized as acquisition costs. The final option payment of \$3 million was paid in January 2008 upon which the Company earned a 70% interest and the agreement converted to a joint venture in which Rio Tinto has a participatory 30% interest.

On 6 March 2008 Bear Creek entered into an agreement (the “Purchase Agreement”) with Rio Tinto to purchase Rio Tinto’s remaining 30% interest in the Corani project and extinguish all of Bear Creek’s future payment obligations, royalties and Rio Tinto’s back-in rights under the existing option agreement. Upon completion of the purchase, Bear Creek will own a 100% interest in the Corani project.

Notes to Interim Consolidated Financial Statements

31 March 2008

US Funds
Unaudited

Bear Creek has agreed to pay Rio Tinto, subject to closing of the acquisition, total consideration of \$75 million payable as follows: (i) \$30 million by issue of 3,871,000 Bear Creek common shares at a price of \$7.75 per share payable on the closing date; (ii) \$20 million in cash payable on the earlier of: December 31, 2008 or 15 business days following a change of control of Bear Creek; and (iii) \$25 million in cash payable on the earlier of: December 31, 2009 or 180 days following a change of control of Bear Creek. As part of the acquisition, the Company is required to make an advisors fee payment of \$1.5 million, which is payable upon closing of the acquisition.

The closing of the acquisition of the Rio Tinto interest under the Purchase Agreement is subject to, among other things, all necessary regulatory and stock exchange approvals, which have now been granted, and the absence of material adverse changes in the affairs of Bear Creek. The balance of the purchase price is to be secured by a General Security Agreement in favour of Rio Tinto in addition to a mortgage on the Corani property, subordinated to future project financing.

b) Santa Ana Project

During 2004, the Company acquired an option to earn a 100% interest in the Santa Ana property in southeastern Peru. The property is subject to payments totalling 3% of direct exploration expenditures to a maximum lifetime payment of \$280,000, of which \$99,649 has been expensed to 31 March 2008. The Company has exercised its option in January 2008 and controls a 100% interest in the Santa Ana project.

c) Don Marcelo Project

On 6 December 2006, the Company entered into an option agreement, whereby the Company had the right to earn a 75% interest in the Don Marcelo property located in Peru.

In January 2008, after evaluating drill results, management of the Company decided to terminate the option agreement relating to the Don Marcelo Project.

d) AngloGold Exploration Alliance

The Company acquired certain data from AngloGold Ashanti Exploraciones del Peru S.A. ("AGA") in exchange for the issuance of 200,000 common shares of the Company's stock, 1 million warrants priced at CDN\$1.50 (exercised in 2005), and 1 million warrants priced at CDN\$2.20 to expire 12 January 2007 (exercised in March 2006). Any properties acquired will be subject to certain back-in rights in favor of AGA; namely, AGA has a "back-in" right to acquire a 65% interest in any prospect, acquired through the use of this data package, by funding a feasibility study and providing Bear Creek a full carried interest to production. None of the active projects of the Company are subject to this back-in.

e) Antash Project

Antash represents the following properties: Fe y Esperanza 1, Antash 1 and Colcabamba. Bear Creek owns 100% of the Antash 1 concession and has the option to acquire 100% of Fe y Esperanza 1 and Colcabamba.

Bear Creek has an option to acquire 100% of the Fe y Esperanza 1 prospect through escalating cash payments totalling \$765,000 by October 2009, of which \$90,000 has been paid. Once the prospect is transferred to Bear Creek, a 2% net smelter royalty (NSR) will be granted to the optionor. The NSR payments are capped to a maximum of \$700,000.

Notes to Interim Consolidated Financial Statements

31 March 2008

US Funds
Unaudited

Bear Creek has the option to acquire 100% of the Colcabamba prospect through escalating cash payments totalling \$1,000,000 by September 2011. Once the prospect is transferred to Bear Creek, a 2.3% NSR will be granted to the optionor. The NSR payments are capped to a maximum of \$2,000,000. In order to keep the option agreement in good standing, Bear Creek must incur \$325,000 exploration expenditure during the four years of the option.

In March 2007, Bear Creek signed an Agreement with Aztec Metals where Aztec can acquire a 51% interest in Antash. In December 2007, Aztec terminated its option agreement with Bear Creek.

f) La Yegua

In February 2007, Bear Creek signed a Letter of Intent with Chapleau, which was formalized by an option agreement dated January 29, 2008, in which Chapleau may acquire up to a 75% interest in the La Yegua project. La Yegua is a porphyry copper-molybdenum project, which is 100% owned by the Company and is located in the Apurimac region of Southern Peru. Chapleau can earn a 51% interest in the property by spending a total amount of \$2.8 million in exploration over a four year period and issuing the equivalent of \$350,000 in Chapleau shares, which is based on the market price of Chapleau shares at the time of issuance, during the four years. With the issuance of an additional 1.25 million shares, Chapleau may increase the vested interest from 51% to 75%. In April 2007, the Company received 55,556 shares of Chapleau fair valued at \$20,411, and in March 2008 the Company received 88,236 shares fair valued at \$28,271. (Note 4).

7. Asset Retirement Obligation

The Company has recorded an Asset Retirement Obligation of \$275,000 as of 31 March 2008. The amount was based on an estimate prepared by management to remove drill platforms, planting grass, and to level out the areas of trenching and drilling.

Cumulative future reclamation costs, per project under active exploration, are as follows:

	31 March 2008	31 December 2007
Corani Project, Peru	\$ 200,000	\$ 200,000
Santa Ana Project, Peru	75,000	75,000
	<u>\$ 275,000</u>	<u>\$ 275,000</u>

In view of the uncertainties concerning environmental reclamation, the ultimate cost of reclamation activities could differ materially from the estimated amount recorded. The estimate of the Company's asset retirement obligations are subject to change based on amendments to laws and regulations and as new information regarding the Company's operations becomes available.

Future changes, if any, to the estimated liability as a result of amended requirements, laws, regulations and operating assumptions may be significant and would be recognized prospectively as a change in accounting estimate. Any such change would result in an increase or decrease to the liability and a corresponding increase or decrease to the mineral property.

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

31 March 2008

US Funds
Unaudited

8. Share Capital

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

	Shares		Amount
Authorized:			
Unlimited common shares without par value			
Issued and fully paid:			
Balance – 31 December 2006	40,423,485	\$	28,330,924
Shares issued for stock options exercised	297,500		229,905
Shares issued for warrants exercised	2,071,038		5,942,877
Fair value of broker options exercised	-		16,845
Fair value of options and warrants exercised	-		171,137
Shares issued for private placement	2,425,000		15,222,139
Share issuance costs – private placement	-		(879,567)
Balance – 31 December 2007	45,217,023	\$	49,034,260
Shares issued for stock options exercised	1,394,000		706,906
Fair value of options exercised	-		8,327
Balance – 31 March 2008	46,611,023	\$	49,749,493

b) **Details of Contributed Surplus:**

		For the Three Months Ended 31 March 2008
Balance – 31 December 2007	\$	10,980,418
Fair value of stock-based compensation		434,573
Fair value of stock options exercised		(8,327)
Balance – March 31, 2008	\$	11,406,664

c) **Share Purchase Options**

The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the Toronto Stock Exchange on the last trading day preceding the grant date. Options begin vesting on the grant date based on a schedule outlined in the share purchase option plan.

Bear Creek Mining Corporation
(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

31 March 2008

US Funds
Unaudited

	Number of options	Weighted average exercise price (in CDN\$)
Options outstanding at 31 December 2006	4,355,350	1.87
Exercised	(297,500)	0.86
Granted	525,000	7.99
Options outstanding at 31 December 2007	4,582,850	2.65
Exercised	1,394,000	0.57
Cancelled	6,000	8.08
Options outstanding at 31 March 2008	3,182,850	2.17

A summary of the Company's options as at 31 March 2008 is as follows:

	Number	Price per Share	Expiry Date
Options	10,000	US\$0.50	2 July 2009
	782,850	Cdn\$0.70	24 November 2009
	730,000	Cdn\$3.00	5 August 2010
	831,000	Cdn\$3.00	5 August 2010
	100,000	Cdn\$4.75	6 December 2010
	100,000	Cdn\$4.60	31 May 2011
	104,000	Cdn\$8.08	22 August 2011
	525,000	Cdn\$7.99	16 May 2012
	3,182,850		

As at 31 March 2008, 2,894,350 options have vested.

The stock-based compensation recorded in the current quarter of \$434,573 relates to prior period grants. \$975,458 remains to be recorded at 31 March 2008 on options which have yet to vest.

d) Share Purchase Warrants

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

Notes to Interim Consolidated Financial Statements

31 March 2008

US Funds
Unaudited

9. Related Party Transactions

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

	2008	2007
Consulting fees paid to a director of the Company	\$ 12,500	\$ 11,500
Legal fees paid to a firm in which a director of the Company is a partner	\$ -	\$ 3,600
Legal fees paid to a firm in which an officer of the Company is a partner	\$ 78,686	\$ 33,626
Accounting fees paid to a firm in which an officer of the Company is a partner	\$ 21,119	\$ 13,856

Included in accounts payable are \$81,656 of amounts due to related parties, which are unsecured, non-interest bearing and payable on demand.

Related party transactions are in the normal course of business and occur on terms similar to transactions with non-related parties, and therefore are measured at the exchange amount. Any consulting fees are included in wages and management salaries, and any legal or accounting costs are included in professional fees.

10. Segmented Information

The Company has one operating segment, which is mineral exploration. All of the Company's exploration expenses as disclosed on the exploration cost schedule are incurred in South America. All of the Company's assets and other expenses are in Canada, except for \$994,916 (2007 - \$966,628) of assets, which are located in Peru.

11. Commitments

- a) By an agreement dated 27 September 2003 (and amended in March 2007 and April 2008), the Company entered into a consulting agreement with a director and officer of the Company to act as the President and C.E.O. of the Company. Compensation per the amended agreement is \$200,000 per annum. The amended agreement is effective from April 2008 and will continue for a term of two years. The Company may terminate this agreement by providing a severance package depending on the nature of the termination.
 - b) By an agreement dated 30 September 2003 (and amended in April 2006 and April 2008), the Company entered into a consulting agreement with an officer of the Company to act as the Vice President of Explorations of the Company. Compensation per the amended agreement is \$160,000 per annum. The amended agreement is effective from April 2008 and will continue for a term of two years. The Company may terminate this agreement by providing a severance package depending on the nature of termination.
 - c) The Company has co-signed an operating lease agreement, commencing on 1 October 2006 to 31 December 2011. The total minimum lease payments are Cdn\$8,823 per month and Cdn\$105,876, per annum. The Company's proportionate share of the minimum lease payments is Cdn\$3,160 per month and Cdn\$37,920 per annum.
-

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

Our Management's Discussion and Analysis

Introduction

Prepared 19 May 2008 for the period ended 31 March 2008. The following discussion and analysis of the financial condition and results of operations of Bear Creek Mining Corporation (the "Company" or "Bear Creek") should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three months ended 31 March 2008, and the notes thereto. This discussion and analysis includes references to United States dollars and Canadian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars. Canadian dollars are referred to as C\$.

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

Forward-Looking Information

This management discussion and analysis ("MD&A") contains certain forward-looking statements that are based on the beliefs and assumptions of its management and information currently available to Bear Creek. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to Bear Creek or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. Such statements reflect the current views of Bear Creek with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Therefore, the reader is cautioned not to place undue reliance on forward-looking statements.

Activities on Mineral Projects

Current efforts are focused primarily on the advancement of the Corani and Santa Ana projects. In addition, the Company continues to explore for gold and silver prospects in Peru. Base metals exploration prospects of potential are also considered. From time to time, precious or base metal exploration opportunities in other Latin American countries are considered when compatible with management's history and expertise. A large number of projects are under Bear Creek's review at any given time; including pre-feasibility and scoping study preparation, active drill evaluation, some being prepared for drilling, others in first pass mapping and sampling following staking or acquisition, and many in preliminary evaluation to decide if property ownership is possible or desired. Due to the generative nature of Bear Creek's

business, many of the expenditures consist of drilling and assay costs, salaries for professional personnel, land, legal and property payments, and travel to/from and within properties.

Corani Project

By option agreement with Rio Tinto Mining and Exploration Limited ("Rio Tinto"), the Company earned a 70% interest in the Corani property located in southeastern Peru by making total option payments of \$5.4 million.

On 6 March 2008 Bear Creek entered into an agreement (the "Purchase Sale Agreement") with Rio Tinto to purchase Rio Tinto's remaining 30% interest in the Corani project and extinguish all of Bear Creek's future payment obligations, royalties and Rio Tinto's back-in rights under the existing option agreement. Upon completion of the purchase, Bear Creek will own a 100% interest in the Corani project.

Bear Creek has agreed to pay Rio Tinto, subject to closing, total consideration of \$75 million payable as follows: (i) \$30 million by issue of 3,871,000 Bear Creek common shares at a price of \$7.75 per share; (ii) \$20 million in cash payable on the earlier of: December 31, 2008 or 15 business days following a change of control of Bear Creek; and (iii) \$25 million in cash payable on the earlier of: December 31, 2009 or 180 days following a change of control of Bear Creek. As part of the acquisition, the Company is required to make an advisors fee payment of \$1.5 million, which is payable upon closing of the acquisition.

Under the terms of the Purchase Agreement, should Rio Tinto wish to dispose of their Bear Creek shares, the Company has certain rights to arrange for purchasers to acquire their shares. In addition, Rio Tinto has agreed, subject to certain limitations, to vote its shares in Bear Creek in favor of matters proposed by management of Bear Creek until the earlier of twelve months from the closing date, which is expected to be in June 2008, change of control of Bear Creek or the disposition by Bear Creek of more than 50% of either the Corani and/or Santa Ana deposits.

The closing of the acquisition of the Rio Tinto interest under the Purchase Agreement is subject to, among other things, all necessary regulatory and stock exchange approvals, which has now been granted, and the absence of material adverse changes in the affairs of Bear Creek. The balance of the purchase price is to be secured by a General Security Agreement in favor of Rio Tinto in addition to a mortgage on the Corani property, subordinated to future project financing. Closing of the acquisition of Corani from Rio Tinto is expected to be completed in June 2008. The complete Purchase Agreement with Rio Tinto has been filed and can be viewed on the SEDAR website.

Current Developments at Corani

On 5 May 2008, the Company provided an update on ongoing advanced metallurgical testing and metallurgical mapping of the mineralization contained within the current resource model. The metallurgical mapping involved the re-logging of 202 drill holes distributed throughout the deposit in order to define volumes containing similar metallurgical responses, or ore-types. The ore-types were then transferred to cross sections for entry into the resource block model to evaluate the effect of the expected ore-types distribution on metal recoveries. The Company confirmed that overall silver and lead recoveries remain at 80% and 60%, respectively; whereas there is significant improvement in anticipated zinc recovery from 60% to 75%. As the Corani silver deposit contains 2.5 billion pounds of zinc, the increase in zinc recovery is expected to have a positive impact on the economic viability of Corani. Metallurgical testing and relating test

results to the metallurgical mapping will continue for several more months in order to further define metal recoveries for the purposes of a pre-feasibility study.

In January 2008, the Company completed its scoping study, incorporating a preliminary economic assessment (PEA) as defined by NI-43-101 based on the latest resource estimate for the Corani silver-lead-zinc deposit. The study concluded:

- The net present value of 100% of the Corani project is \$470 million at a 7% discount rate and an internal rate of return for the project of 40%.
- Recovered silver production for the first two years is projected to average 22 million ounces per year.
- Cash cost is estimated at \$2.49 per ounce silver, net of base metal credits.
- Measured and Indicated resources are: 327 million ounces of silver, 4.0 billion pounds of lead, and 2.5 billion pounds of zinc.
- The total Measured and Indicated resource is 248.4 million tonnes at average grades of 40.9 g/t silver, 0.73% lead and 0.37% zinc.
- Overall process recoveries of 80% for silver and 60% each for lead and zinc are assumed in the study as supported by metallurgical test work as of the date of the scoping study. As noted above, subsequent testing has shown improvement in zinc recoveries.

The financial model is based upon metals prices of \$12 per ounce silver, and \$0.93 and \$1.19 per pound of lead and zinc, respectively. These prices represent a three-year historical rolling average to the end of November 2007 and two-year future prices weighted 60:40 historical to future.

The project will produce an average of 15.2 million payable ounces of silver, 123 million pounds of lead and 66 million pounds of zinc annually over a 12.5 year mine-life. Cash cost per ounce of silver is projected to be \$2.49, net of base metals credits. Pre-production capital investment in the project is estimated to be \$428 million and total capital expenditures are estimated at \$592 million over the 12.5 year life of the mine. Based upon the aforementioned metals prices, the project achieves payback of capital in less than two years. The scoping study has been prepared using cost estimates and production forecasts provided by qualified engineering consulting groups.

For further information regarding the scoping study, the Company filed on SEDAR its 43-101 compliant technical Report entitled "Corani Resource Estimate and PEA"; prepared by Independent Mining Consultants.

Based upon the positive scoping study, the Company is initiating a pre-feasibility study which is expected to cost approximately \$2 million. The Company expects the pre-feasibility study to be completed in six months once the study is initiated. An important component of the study is the ongoing metallurgical testing at SGS Vancouver Laboratories designed to further optimize process recoveries and operating costs.

During the three months ended 31 March 2008, the Company incurred acquisition and exploration expenditures of \$4.0 million on the Corani project. Included in this total are option payments of \$3.0 million, drilling costs of \$0.2 million, salaries and consulting of \$0.5 million, travel costs of \$0.1 million, geophysics of \$0.1 million and other costs of \$0.3 million.

Santa Ana Project

The Company has exercised its option in January 2008 and controls a 100% interest in the Santa Ana silver project. The property, comprised of 6,300 hectares, is located in the Puno region in southern Peru.

In January 2008, the Company completed its first resource estimate based on 17,991 meters of drilling in 104 drill holes completed through November 2007. The estimate was prepared by Independent Mining Consultants, Tucson, Arizona. The Independent Qualified 43-101 report is available on SEDAR. The current resource estimates using a \$12/ounce silver resource price are:

Bear Creek Mining, Santa Ana Deposit Mineral Resource Based on 20 g/t Cutoff and Prudent Open Pit Constraints January 15, 2008

Category	Ktonnes	Contained Metal					
		Silver Gm/t	Lead %	Zinc %	Silver Million Ozs	Lead Million Lbs	Zinc Million Lbs
Indicated	21,038	44.0	0.29	0.53	29.8	134.5	245.8
Inferred	42,173	45.0	0.26	0.49	61.0	241.7	455.6

The stripping ratio is approximately 1.8:1; however, the block model considers blocks with no nearby drill holes as waste and additional drilling is expected to convert a certain amount of these blocks to resource, thereby reducing the stripping ratio.

Drilling

The Company has completed and reported 34,157 meters in three phases of drilling in 188 drill holes. The drill results since November 2007, as well as future results, will be incorporated into an updated resource estimate which is expected to be completed by the middle of 2008. Silver mineralization is contained in low-angle structures and broad, vertical structural zones outcropping at surface and extending to depths of at least 150 vertical meters. Typical mineralized drill intercepts average 50 to 75 meters thick, with grades between 30 to 90 grams per tonne silver. These drill intercepts include higher-grade intervals ranging from a thickness of a few meters to tens of meters, with average grades between 100 to 2,000 grams per tonne silver. The target concept is to define an open-pittable, low grade silver deposit amenable to low cost heap-leaching. Mineralization appears to remain open at depth and laterally in all directions. Drill results beneath soil anomalies to the north and southwest confirm that the silver anomalies in soil over covered areas on three sides of the previously drill-tested deposit indicate potential for the expansion of the mineralized areas. During the quarter, a third drill rig was added to the project to accelerate exploration outside of the current resource area and provide in-fill drilling for the conversion of internal waste to mineralization contained within the current resource model. The in-fill drilling is also expected to convert a certain amount of inferred resources to the indicated and measured resource categories in future resource updates.

Metallurgical Testing

A second phase test program involving three column leach tests has been completed at McClelland Laboratories in Sparks Nevada, which provided results that show that the Santa Ana material is well suited for heap leach recovery methods. In the test program, average silver recovery of 64.6% was achieved for the conventional tests, and overall long-term silver recovery should exceed 70%, according to McClelland Laboratories.

The first phase of metallurgical testing, which involved cyanide leach tests of 10 samples selected from areas of known silver mineralization (including both low and high grade ranges), has shown that silver recovery can be expected to be 85% with crush sizes of 50% passing 200 mesh and 71% at 70% passing 2mm. The initial results from the early bottle-roll test work show that the silver mineralization leaches well at ¾ inch crush sizes. Bottle roll tests continue in new areas of mineralization encountered in drilling, verifying that cyanide extraction continues to be favorable.

Flotation test work has been initiated to evaluate the recovery of lead and zinc into concentrates. Significant intercepts (100 meters) containing greater than 1% lead and zinc contained in galena and sphalerite have been defined in the drilling. Base metals recovery has not been considered previously in the Company's approach to exploration at Santa Ana. As test results are received, the Company will report its views on the potential economic significance of the lead and zinc mineralization contained within the deposit.

Santa Ana Resource and Engineering:

Studies have been completed by Vector Engineering to evaluate the infrastructure and heap leach designs in preparation for a scoping study. The studies indicate that power, water supply and site access road designs are favorable for project development. Drilling continues to intersect higher grade silver intercepts within long intervals of lower grade mineralization indicating that separate treatment and processing may be appropriate to increase recoveries from higher-grade material. Upon completion of further drilling and metallurgical testing, the Company will evaluate straight heap leach, as well as pulp agglomeration heap leach approaches as process alternatives. The pulp agglomeration method utilizes vat leaching of higher grade material with accelerated recoveries followed by heap leaching for more moderate grade material. This conventional technology can produce silver dore on-site with anticipated recoveries likely to be greater than 70%. Cash costs per ounce of silver tend to be in the lowest quartile when using heap-leach technology for precious metals production.

The Company expects to complete a scoping study/preliminary economic assessment ("PEA") in the third quarter of 2008 once sufficient drilling has been completed to better define the total resource. To date, additional step-out drilling since our resource estimate cut-off date has continued to intersect silver grades that approximate those of the resource estimate. Considerable drilling is still required prior to a scoping study as the deposit remains open in all directions.

During the three months ended 31 March 2008, the Company incurred expenditures of \$1.2 million on the Santa Ana project. Included in this total are: \$0.6 million of drilling costs, salaries and consulting of \$0.2 million, assays and sampling of \$0.1 million and various other costs of \$0.3 million.

La Yegua

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

In February 2007, Bear Creek signed a Letter of Intent with Chapleau Resources Ltd. ("Chapleau") and subsequently formalized it by means of an option agreement dated 29 January 2008 where Chapleau has an option to acquire up to a 75% interest in the project. Chapleau has an opportunity to earn a 51% interest in the property by spending a total amount of \$2.75 million in exploration over a four year period and the issuance of the equivalent of \$0.35 million in Chapleau shares, which is based on the market price of Chapleau shares at the time of issuance, during the four years. With the issuance of an additional 1.25 million shares Chapleau may increase the vested interest from 51% to 75%.

Chapleau has informed the Company that all required exploration permits and surface agreements are in place, and that Chapleau has currently completed 900 meters of drilling. Results from the initial Chapleau drilling program were announced in December 2007 and May 2008. Chapleau announced that drilling indicates that potential exists in the under-explored district for a disseminated copper-molybdenum-gold deposit and intends to follow up its drill results with additional exploration work.

Generative Exploration

Generative exploration is a crucial part of the business in identifying and acquiring new opportunities. Generative exploration costs are those costs not attributable to a specific Bear Creek project. Bear Creek maintains at least two field teams and a system of field prospectors who focus on generating new exploration targets with the emphasis on gold and silver. Typically, dozens of prospects are submitted to or are generated by Bear Creek during any given quarter. At any given time, several targets may be under consideration for possible acquisition through staking or entering into third party option to purchase agreements. When Bear Creek defines a project as a distinct exploration target, it is then accounted for as a separate project.

IGV

IGV expense of \$0.3 million represents the amount of IGV that has been paid to the Peruvian government during the three months ended 31 March 2008. This amount is recoverable when there are future revenues generated by the Company in Peru. As the Company is an exploration stage company there can be no reasonable assurance that future revenue can be generated, and as a result the IGV receivable has been expensed. The IGV expense is denominated in Peruvian soles and as at 31 March 2008, the total value of the IGV receivable in Peru was \$4.3 million (11.9 million soles).

Other Properties

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

Bear Creek's Results of Operations

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

For the Three Months Ended 31 March 2008 as compared to the Three Months Ended 31 March 2007.

Net Loss and Operating Expenses

In the current quarter, the Company experienced a net loss of \$4.1 million compared to a net loss of \$2.3 million for the same period in 2007, an increase in net loss of \$1.8 million. In the current quarter, the Company had a loss per share of \$0.09 compared to \$0.06 for the same period in 2007. The increase in net loss is primarily due to \$1.3 million of additional exploration costs being incurred in the current quarter, primarily as a result of the advancement of both the Corani and Santa Ana projects. The increase in exploration expenditures in the current quarter primarily related to drilling and exploration activities on Santa Ana as well as increased generative exploration expenditures. In addition the Company experienced a foreign exchange loss of \$0.3 million as a result of the Company maintaining a portion of its cash in Canadian dollars and Peruvian Soles and reporting its results in US dollars. Professional fees increased due to legal expenses incurred on exploration properties.

Total operating expenses for the current quarter were \$4.0 million compared to operating expenses of \$2.4 million for the same period in 2007.

Summary of Quarterly Results

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

Period	Revenues	Loss from Continued Operations (In Millions)	Basic and Fully Diluted Loss per Share from Continued Operations
1 st Quarter 2008	Nil	(4.1)	(0.09)
4 th Quarter 2007	Nil	(4.9)	(0.11)
3 rd Quarter 2007	Nil	(2.9)	(0.07)
2 nd Quarter 2007	Nil	(3.9)	(0.09)
1 st Quarter 2007	Nil	(2.3)	(0.10)
4 th Quarter 2006	Nil	(4.8)	(0.12)
3 rd Quarter 2006	Nil	(4.0)	(0.10)
2 nd Quarter 2006	Nil	(3.6)	(0.09)

The decrease in loss for the first quarter of 2008 resulted primarily from a decrease in drilling activities on the Corani project.

The increase in loss for the fourth quarter of 2007 resulted primarily from increased exploration activity on the Company's Santa Ana project and Don Marcelo project.

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

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

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

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

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

Liquidity and Capital Resources

Of the \$9.8 million in cash and cash equivalents and short term investments as at 31 March 2008, approximately \$3.9 million is denominated in Canadian dollars and Peruvian soles, with the remaining in US dollars. The Company's major exploration expenditures are denominated in US dollars. The Company places its cash and cash equivalents in either government backed paper or in Canadian chartered bank corporate paper with maturities of less than 90 days.

On 31 March 2008, the Company had 46,611,023 issued shares. The Company's net working capital as at 31 March 2008 was \$9.3 million compared to a net working capital of \$15.3 million as at 31 December 2007. The cash balance at 31 March 2008 was \$9.8 million compared to \$10.8 million as at 31 December 2007. As at 31 March 2008 current liabilities were \$0.5 million compared to \$0.7 million as at 31 December 2007.

In addition, the Company accrued reclamation costs for its Corani and Santa Ana projects of \$275,000 during the prior year for future site remedial work.

As at 19 May 2008, the Company had 46,611,023 outstanding common shares. In addition the Company has a commitment to issue to Rio Tinto 3,871,000 shares of the Company. The Company has 3,182,850 share purchase options and 1,212,499 share purchase warrants outstanding. The average exercise price of the share purchase options is C\$3.53, and the share purchase warrants exercise price is C\$10.50.

The Company requires additional funding in order to make the \$20 million payment, which is subject to closing, to Rio Tinto due on or before December 31, 2008 as well as funding exploration expenditures on its exploration projects. This estimate is based on current information, as the Company's expenditures and cash requirements may change over time.

Planned expenditures for the 2008 fiscal year include the pre-feasibility study at Corani, completing a scoping study and continue drilling on Santa Ana; the Company will also continue exploration programs on other projects. In addition to the \$20 million payment due to Rio Tinto

required by the end of 2008, cash exploration expenditures and administrative costs in 2008 is anticipated to be approximately \$12 million for the remainder of the 2008 fiscal year

The Company is aware that its cash needs and requirements will require additional financing to satisfy its future commitments and planned expenditures. The Company anticipates obtaining additional financing through but not limited to, the issuance of additional equity. The Company believes that given the opportunities that the Corani and Santa Ana Projects represents the necessary financing will be obtained, although the Company has no assurance that such financing will be available or be available on favorable terms.

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

Financing Activity

During the three months ended 31 March 2008, the Company received cash proceeds of \$0.7 million from the exercise of 1,394,000 options.

Investing Activity

During the three months ended 31 March 2008, the Company made its final option payment of \$3.0 million related to its Corani option agreement.

Transactions with Related Parties

In connection with the approval of related party transactions, the Company has a policy that requires that the terms of all such transactions must be comparable to terms available in arms-length transactions. Each of the transactions described below meet those requirements and occurred during the period ended 31 March 2008.

The Company received legal services, totaling \$78,686, from a law firm in which an Officer of Bear Creek, is a partner. Legal fees related primarily to the amendment of the Company warrants, the equity financing and other ongoing administrative items.

The Company received accounting services from an accounting firm in which an Officer of the Company is a partner. The total accounting fees paid were \$21,119.

The Company received consulting services from a Director of the Company, during the period. The fees were incurred in relation to management consulting services. Total fees paid during the year were \$12,500.

Critical Accounting Policies and Estimates

The details of Bear Creek's accounting policies are presented in note 2 of the annual consolidated financial statements. The following policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the

Company's financial statements and the uncertainties that could have a bearing on its financial results.

a) *Resource Properties*

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

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

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

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

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

b) *Estimates*

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

c) *Financial Instruments*

Effective January 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants:

- a) Section 1535 – Capital Disclosures – Disclosures. Section 1535 requires disclosures of an entity's objectives, policies and processes for managing capital, and quantitative data about what the entity regards as capital.

- b) Section 3863 – Financial Instruments – Presentation. Section 3862 and 3863 replaces the existing Section 3861 – Financial Instruments – Disclosure and Presentation. These new sections revise and enhance disclosure requirements, and carry forward unchanged existing presentation requirements. These new sections require disclosure about the nature and extent of risk arising from financial instruments and how the entity manages those risks.
- c) The adoption of Sections 3862, 3863 and 1535 had no impact on the opening equity and losses of the Company.

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