BEAR CREEK MINING CORPORATION

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2008 and 2007

EXPRESSED IN US FUNDS

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March 17, 2009

AUDITORS' REPORT

To the Shareholders of Bear Creek Mining Corporation

We have audited the consolidated balance sheets of Bear Creek Mining Corporation as at December 31, 2008 and 2007 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia

Bear Creek Mining Corporation Statement 1

(An Exploration Stage Company)

Consolidated Balance Sheets

As at 31 December

US Funds

ASSETS	2008	2007
Current		
Cash and cash equivalents	$ 12,774,486	$ 10,848,072
Short-term investments *(Note 4)*	35,464	5,148,477
Other assets	597,215	203,587
	13,407,165	16,200,136
Equipment *(Note 5)*	258,535	289,867
Resource Property Costs *(Note 6)*	85,109,111	2,275,000
	$ 98,774,811	$ 18,765,003
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 346,715	$ 636,620
Due to related party *(Note 10)*	45,870	20,588
Due to Rio Tinto Mining and Exploration Limited *(Note 7)*	5,000,000	-
	5,392,585	657,208
Due to Rio Tinto Mining and Exploration Limited *(note 7)*	32,100,024	-
Asset Retirement Obligation *(Note 8)*	300,000	275,000
Future Income Tax *(Notes 6(a) and 13)*	18,598,319	-
	56,390,928	932,208
SHAREHOLDERS' EQUITY		
Share Capital *(Note 9)*		
Authorized:		
Unlimited common shares without par value		
Issued and fully paid:		
55,457,023 (2007 – 45,217,023 common shares)	89,105,173	49,034,260
Contributed surplus *(Note 9(b))*	13,516,211	10,980,418
	102,621,384	60,014,678
Deficit - *Statement 2*	(60,237,501)	(42,181,883)
	42,383,883	17,832,795
	$ 98,774,811	$ 18,765,003

Nature of Business and Going Concern *(Note 1)*
Commitments *(Note 12)*
Subsequent Events *(Note 14)*

ON BEHALF OF THE BOARD:

Signed "Catherine McLeod-Seltzer", Director

Signed "Andrew Swarthout", Director

- See Accompanying Schedule and Notes -

Bear Creek Mining Corporation Statement 2

(An Exploration Stage Company)

Consolidated Statements of Loss, Comprehensive Loss and Deficit

For the Years Ended 31 December

US Funds

	2008	2007
Operating Expenses		
Exploration costs (*Exploration Costs Schedule)*	$ 13,367,281	$ 11,041,032
Stock-based compensation *(Note 9(b))*	1,622,430	3,254,894
Wages and management salaries	421,864	365,450
Professional fees	404,142	340,756
Shareholder information and filing fees	262,989	244,881
General administrative expenses	235,871	202,126
Travel	180,385	265,088
Amortization	3,738	4,284
	16,498,700	15,718,511
Other Income		
Foreign exchange (loss) gain	(1,993,041)	1,300,930
Interest income, net	471,214	417,142
Loss on investments *(Note 4)*	(35,091)	-
	(1,556,918)	1,718,072
Loss and Comprehensive Loss for the Year	(18,055,618)	(14,000,439)
Deficit - Beginning of year	(42,181,883)	(28,181,444)
Deficit - End of Year	$ (60,237,501)	$ (42,181,883)
Loss per Share – Basic and Diluted	$ (0.36)	$ (0.32)
Weighted Average Number of Shares Outstanding	50,557,763	43,630,935

- See Accompanying Schedule and Notes -

Bear Creek Mining Corporation Statement 3

(An Exploration Stage Company)

Consolidated Statements of Cash Flow

For the Years Ended 31 December

US Funds

Cash Resources Provided By (Used In)	2008	2007
Operating Activities		
Loss and comprehensive loss for the year	$ (18,055,618)	$ (14,000,439)
Items not affecting cash		
Stock-based compensation *(Note 9(b))*	1,622,430	3,254,894
Amortization included in exploration costs	68,529	81,271
Amortization	3,738	4,284
Non-cash foreign exchange	(1,933,961)	-
	(18,294,882)	(10,659,990)
Changes in current assets and liabilities		
Other assets	(393,628)	(73,025)
Accounts payable and accrued liabilities	(264,623)	(163,183)
Cash used in operating activities	(18,953,133)	(10,896,198)
Investing Activities		
Purchase of equipment	(40,935)	(124,600)
Resource acquisition costs	(8,082,811)	(2,000,000)
Short-term investments	5,113,013	(5,148,477)
Cash used in investing activities	(3,010,733)	(7,273,077)
Financing Activities		
Share capital issued – net	23,890,280	23,992,698
Cash provided by financing activities	23,890,280	23,992,698
Net Increase in Cash and Cash Equivalents	1,926,414	5,823,423
Cash and cash equivalents – Beginning of year	10,848,072	5,024,649
Cash and Cash Equivalents – End of Year	$ 12,774,486	$ 10,848,072
Cash and cash equivalents consists of:		
Cash	$ 753,058	$ 403,907
Term Deposit	12,021,428	10,444,165
	$ 12,774,486	$ 10,848,072
Supplemental Schedule of Non-Cash Transactions:		
Fair value of options and warrants exercised *(Note 9(a))*	$ 8,327	$ 204,826
Fair value of warrants issued *(Note 9(a))*	$ 921,690	$ 3,690,596
Future Reclamation Costs *(Note 8)*	$ 25,000	$ 275,000
Shares issued for Corani Resource property *(Notes 6(a) and 9(a))*	$ 17,093,996	$ -
Future payments for Corani resource property *(Note 7)*	$ 37,100,024	$ -

Bear Creek Mining Corporation Schedule

(An Exploration Stage Company)

Consolidated Schedules of Exploration Costs

For the Years Ended 31 December

US Funds

	2008	2007
Corani		
Salaries and consulting	$ 1,851,324	$ 1,539,881
Travel	543,241	451,395
Drilling	523,763	2,394,219
Supplies and general	261,053	46,071
Geophysics	160,042	188,503
Maintenance costs	39,239	26,688
Assaying and sampling	36,867	316,018
	3,415,529	4,962,775
Santa Ana		
Drilling	4,049,764	1,974,514
Salaries and consulting	804,058	394,212
Travel	533,367	218,131
Assaying and sampling	345,914	178,002
Supplies and general	307,323	143,645
Maintenance costs	191,737	64,485
Geophysics	5,487	13,123
	6,237,650	2,986,112
Antash		
Expenditures	432,554	74,788
Reimbursement of expenses	(415,073)	(61,764)
	17,481	13,024
La Yegua		
Expenditures	16,876	4,341
Option payments	(27,623)	(20,411)
	(10,747)	(16,070)
Generative		
Salaries and consulting	768,052	498,438
Supplies and general	322,475	233,627
Travel	123,887	84,863
Assaying and sampling	36,477	33,059
Maintenance costs	10,380	16,816
Geophysics	5,129	6,836
	1,266,400	873,639
Other Properties	900,527	763,178
IGV	1,540,441	1,458,374
Costs for the Year	$ 13,367,281	$ 11,041,032

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 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 $60,237,501 at 31 December 2008. The next $15 million in payments, on the Corani Project agreement, (including $5 million due in 2009 and $10 million in 2010), due to Rio Tinto are secured by a general security agreement over all the assets of the Company *(Note 6(a) and 14).* The Company will need to raise sufficient funds to meet these obligations as well as fund ongoing exploration and administration expenses. The Company has no assurance that such financing will be available or be available on favourable terms. 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. If successful, the Company would obtain additional financing through but not limited to, the issuance of additional equity.

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

a) Consolidation

These consolidated financial statements include the accounts of the Company's wholly-owned subsidiary Bear Creek Exploration Company Ltd. (formerly Bear Creek Mining Company) which carries on its operation in Peru through its branch, Bear Creek Mining Company Sucursal del Peru. All significant inter-company transactions and balances have been eliminated.

b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, term deposits and short term highly liquid investments with the original term to maturity of three months or less, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value.

c) **Short-term Investments**

All short term investments are classified as held-for-trading financial instruments as the Company intends to use these investments in its normal course of financing its exploration activities with revaluation gains and losses recognized in ordinary income. The held-for-trading classification is applied by estimating the fair value of short term investments using the quoted market bid prices at the close of business on the balance sheet date.

d) **Equipment**

Equipment is recorded at cost. The Company provides for amortization on exploration equipment using the straight-line method over their useful lives of five to ten years and office equipment using the 30% declining balance method, with half of this rate used in the year of acquisition.

e) **Income Taxes**

The Company accounts for income taxes using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years on differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on future taxes for a change in tax rates is recognized in income during the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

f) **Earnings (Loss) per Share**

Basic earnings (loss) per share is computed by dividing income (or 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 convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents are reflected in diluted earnings per share by application of the treasury stock method. Since the Company has losses, the exercise of outstanding stock options and warrants has not been included in this calculation as it would be anti-dilutive.

g) **Management's Estimates**

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Actual results could differ from those estimates.

h) **Stock-Based Compensation**

The Company accounts for all stock-based awards made to employees and non-employees using the fair value based method. The fair value of stock-based awards is recognized over their vesting period.

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of options is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

i) **Foreign Currency Translation**

The accounts of the Company's foreign operations have been translated into US dollars as follows:

i. Monetary assets and liabilities at year-end rates,
ii. All other assets and liabilities at historical rates, and
iii. Revenue and expense and exploration and development items at the average rate of exchange prevailing during the year.
iv. Amortization of assets translated at historical rates is translated at the same rates as the asset to which it relates.

Exchange gains and losses arising from these transactions are reflected in income or expense in the year.

j) **Financial Instruments**

The Company adopted the provisions of CICA Sections 3855, Financial Instruments – Recognition Measurement, 3865, Hedges and 1530, Comprehensive Income, on 1 January 2007 which addresses the classification, recognition and measurement of financial instruments and hedges in the financial statements and inclusion of other comprehensive income.

The Sections require that financial assets and financial liabilities, including derivatives, be recognized on the Balance Sheet when the Company becomes a party to contractual provisions of the financial instrument or a derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

Financial assets and financial liabilities held-for-trading are measured at fair value with gains and losses recognized in the Company’s loss for the period. Financial assets held-to-maturity, loans and receivables and financial liabilities, other than those held-for-trading, are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses including changes in foreign exchange rates being recognized in other comprehensive income (“OCI”) upon adoption.

Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in financial instruments or other contracts but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in the Company’s loss for the period.

The Company has designated each of its significant categories of financial instruments as follows:

Cash and cash equivalents	Held-for-trading
Marketable securities	Held-for-trading
Accounts payable and accrued liabilities	Other liabilities
Due to related parties	Other liabilities
Due to Rio Tinto	Other liabilities

The adoption of these accounting policies did not have a material effect on the financial statements of the Company upon adoption.

k) **Comparative Figures**

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

l) **Mineral Acquisition and Exploration Costs**

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 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.

m) **Asset Retirement Obligations**

The Company follows the recommendations of Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3110, Asset Retirement Obligations. This section requires recognition of a legal liability for obligations relating to retirement of property and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life.

n) **Consolidation of Variable Interest Entities**

The Company follows Accounting Guideline AcG-15, "Consolidation of Variable Interest Entities", which requires consolidation of entities in which the Company has a variable financial interest. The Company has determined that it has no variable interest entities.

o) **New accounting pronouncements**

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)*.

The Company also adopted the provisions of CICA Section 1400, General Standards of Financial Statement Presentation, which was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after 1 January 2008. The adoption of this statement did not have an impact on the consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

Goodwill and Intangible Assets (Section 3064)

In February 2008, the CICA issued section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets," and CICA Section 3450, "Research and Development Costs," and amendments to Accounting Guideline (AcG) 11, "Enterprises in the Development Stage," and EIC-27, "Revenues and Expenditures During the Pre-operating Period" and CICA Section 1000, "Financial Statement Concepts." The standard intends to reduce the differences with International Financial Reporting Standards ("IFRS") in the accounting for intangible assets and results in closer alignment with U.S. GAAP. Under current Canadian standards, more items are recognized as assets than under IFRS or U.S. GAAP. The objectives of CICA Section 3064 are to reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing assets that do not meet the definition and recognition criteria are eliminated. The standard will also provide guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. This standard will be effective for fiscal years beginning on or after 1 October 2008. We are currently evaluating the impact of adopting this standard in 2009.

Business Combinations – Section 1582

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations" ("CICA 1582"), CICA 1582 requires that all assets and liabilities of an acquired business will be recorded at fair value at acquisition. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011. The Company is currently assessing the impact of the new standard on its financial statements.

Consolidations and Non-controlling interest – Sections 1601 and 1602

In January 2009, the CICA issued Handbook Section 1601, "Consolidations" ("CICA 1601"), and Section 1602, "Non-controlling Interests" ("CICA 1602"). CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of the new standard on its financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities – EIC Abstract 173

In January 2009, the CICA issued EIC Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC requires the Company to take into account the Company's own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. The Company is currently assessing the impact of the new standard on its financial statements.

3. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short term investments, due to related party, accounts payable and accrued liabilities and due to Rio Tinto. 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. Except for the due to Rio Tinto, the fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation. Amounts due to Rio Tinto are carried at its amortized costs using the effective interest method of amortization.

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

Management of capital risk

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

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

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 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 December 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and Peruvian Soles:

	31 December 2008	
	Canadian Dollars	Peruvian Soles
Cash and cash equivalents and short term investments	15,194,587	311,530
Accounts receivable and other	-	113,813
Accounts payable and accrued liabilities	(179,462)	(696,716)

Based on the above net exposures as at 31 December 2008, 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 $1.2 million in the Company's net earnings. Likewise, a 10% depreciation or appreciation of the US dollar against the Peruvian Soles would result in a decrease/increase of $9,000 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 maximum credit risk the Company is exposed to is 100% of cash, short term investments and other assets.

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

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its operating commitments. The Company manages liquidity by maintaining adequate cash and cash equivalent balances to meet its short term commitments and by raising equity or debt financing as required to meet long term commitments. The Company has no assurance that such financing will be available or be available on favourable terms. The Company believes it is subject to material liquidity risk though its obligation to Rio Tinto *(Notes 1, 6a and 14b).* In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing from sales of common shares. The following table summarizes the remaining contractual maturities of the Company's financial liabilities and operating and capital commitments at December 31, 2008:

	(000s)					
	2009	**2010**	**2011**	**2012**	**2013 and later**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Accounts payable	347	-	-	-	-	347
Due to related party	46	-	-	-	-	46
Asset retirement obligations	-	-	-	-	300	300
Rio Tinto debt	5,000	10,000	11,100	15,000	-	41,100
Employment agreements	200	67	-	-	-	267
Operating leases	106	106	106	-	-	318
Totals	5,699	10,173	11,206	15,000	300	42,378

(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 are generally held to maturity.

(e) 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 and zinc.

4. Short-term Investments

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

		31 December 2008		31 December 2007
Chapleau Shares	$	12,943	$	20,411
Term Deposits		22,521		5,128,066
Total Short-term Investments	$	35,464	$	5,148,477

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

		31 December 2008		31 December 2007
Fair value	$	12,943	$	20,411
Cost		48,034		20,411
Unrealized loss (cumulative)	$	(35,091)	$	-

5. Equipment

Details are as follows:

	31 December 2008			31 December 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 31,326	$ 20,472	$ 10,854	$ 29,162	$ 16,734	$ 12,428
Exploration equipment	477,566	229,885	247,681	438,794	161,355	277,439
	$ 508,892	$ 250,357	$ 258,535	$ 467,956	$ 178,089	$ 289,867

6. Resource Property Costs

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

Capitalized acquisition costs		Corani Project		Santa Ana Project		Total
Balance at 31 December 2006	$	-	$	-	$	-
Option payment *(Note 6(a))*		2,000,000		-		2,000,000
Asset retirement obligations *(Note 8)*		200,000		75,000		275,000
Balance at 31 December 2007	$	2,200,000	$	75,000	$	2,275,000
Option payment *(Note 6(a))*	$	3,000,000	$	-	$	3,000,000
Acquisition – cash payments *(Note 6(a))*		5,000,000		-		5,000,000
Shares issued for property *(Notes 6(a) and 9(a))*		17,093,996		-		17,093,996
Asset retirement obligations *(Note 8)*		-		25,000		25,000
Present value of future payments, including accretion *(Note 7)*		37,100,024		-		37,100,024
Future income taxes *(Note 6(a))*		20,532,280		-		20,532,280
Legal and finance		82,811		-		82,811
Balance at 31 December 2008	$	85,009,111	$	100,000	$	85,109,111
Exploration and maintenance costs						
Balance at 31 December 2006	$	9,586,357	$	852,826	$	10,439,183
Exploration costs – Exploration Costs Schedule		4,962,775		2,986,112		7,948,887
Balance at 31 December 2007		14,549,132		3,838,938		18,388,070
Exploration costs – Exploration Costs Schedule		3,415,529		6,237,650		9,653,179
Balance at 31 December 2008	$	17,964,661	$	10,076,588	$	28,041,249
Combined Balance at 31 December 2008 – capitalized and expensed project costs		102,973,772	$	10,176,588	$	113,150,360

a) Corani Project

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

On 6 March 2008 and subsequently amended, Bear Creek entered into an agreement and subsequently amended (the “Purchase And Sale Agreement”) with Rio Tinto to purchase Rio Tinto’s remaining 30% interest in the Corani Project and extinguish all of Bear Creek’s future payment obligations, royalties and Rio Tinto’s back-in rights under the existing option agreement. Bear Creek agreed to pay Rio Tinto $45 million and to issue Rio Tinto 3,991,000 common shares as follows: (i) 3,871,000 Bear Creek common shares (issued on 17 July 2008); (ii) $5 million in cash payable on the earlier of: 31 December 2008 or 15 business days following a change of control of Bear Creek (paid 19 December 2008); (iii) $15 million in cash payable on the earlier of: 30 September 2009 (amended from original terms of 31 December 2008 for consideration of Bear Creek issuing 120,000 common shares to Rio Tinto on 17 July 2008) and (iv) $25.0 million in cash payable on the earlier of 31 December 2009 or 180 days following a change of control of Bear Creek *(Note 7).* In addition to the above, 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 17 July 2008, the Company completed the 6 March 2008 agreement and purchased Rio Tinto's remaining 30% interest in the Corani Project resulting in Bear Creek owning a consolidated 100% interest in the property. At this time, the Company issued to Rio Tinto 3,991,000 shares fair valued at $17.1 million. The balance of the purchase price is secured by a General Security Agreement, which covers all of the assets of the Company, in favour of Rio Tinto in addition to a mortgage on the Corani property, subordinated to future project financing. The value of the resource property acquired is calculated as the present value of the future cash flows of the $5 million, $15 million, and $25 million, which have been discounted at a credit adjusted risk free rate of 9.0%. The present value is being accreted with the accretion expense being capitalized to the resource property cost as the property is not yet ready for commercial production. In addition, the legal and finance charges associated with the acquisition have been capitalized to the cost of the project. The future income tax liability (FIT) at the acquisition date, of $20,532,280 has been calculated using the effective tax rate in Peru of 30% and is based on the difference between the book value and the tax basis of the asset. These terms have been amended subsequent to 31 December 2008 *(Note 14)*.

All debt relating to the acquisition of the mineral resource property has been recognized as at 31 December 2008 *(Note 7)*.

The amended minimum principal payments are as follows:

	$
On signing of amendment agreement (paid by issuance of shares– *(Note 14)*)	1,100,000
31 December 2009	5,000,000
31 December 2010	10,000,000
10 January 2011	1,100,000
30 September 2011	10,000,000
30 June 2012	15,000,000

In addition, the Amendment Agreement removes the accelerated payment condition upon change of control of Bear Creek and provides for the reduction of the security for the balance of the price to security charging only the Corani property once Bear Creek completes the next two payments totalling $15 million.

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 December 2008. The Company exercised its option in January 2008 and now holds 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.

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.

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 $27,622. *(Note 4)*

g) Piedra Sagrada Project

During 2008 the Company entered into option agreements in which Bear Creek could earn 100% of the two properties that comprises Piedra Sagrada by making escalating payments totaling $10.1 million over 4 years. In the first quarter of 2009, the Company is evaluating its drill results received.

7. Due to Rio Tinto

		2008		2007
Debt owing to Rio Tinto *(Note 6(a))*	$	45,000,000	$	-
Less: adjustment to fair value at inception		(4,565,012)		-
Fair value of debt at inception		40,434,988		-
Less: payment made to Rio Tinto *(Note 6(a))*		(5,000,000)		-
Accretion of the liability		1,665,036		-
Fair value - end of year	$	37,100,024	$	-

On 17 July 2008 and amended subsequent to 31 December 2008, the Company purchased Rio Tinto's remaining interest in the Corani Project and as part of the agreement $5 million in cash was payable on the earlier of: 31 December 2008 or 15 business days following a change of control of Bear Creek (paid 19 December 2008); $15 million in cash is payable on the earlier of: 30 September 2009 or 90 days following a change of control of Bear Creek; and $25.0 million in cash is payable on the earlier of 31 December 2009 or 180 days following a change of control of Bear Creek *(Note 6(a)).* These payments are non-interest bearing and they are secured by a General Security Agreement, which covers all of the assets of the Company, in favour of Rio Tinto in addition to a mortgage on the Corani property, subordinated to future project financing.

On 27 February 2009, the agreement with Rio Tinto was amended *(Note 14)*. Under EIC 122, the Company has recorded its amount owing to Rio Tinto on the balances sheet as a current and long term liability as at 31 December 2008 based upon its subsequently amended agreement. The Company will record the fair value effects of its revaluation of this debt at the date of the amendment.

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

	$
On signing of amendment agreement (paid by issuance of shares – (*note 14*)	1,100,000
31 December 2009	5,000,000
31 December 2010	10,000,000
10 January 2011	1,100,000
30 September 2011	10,000,000
30 June 2012	15,000,000

The current portion at 31 December 2008 is represented by the $5,000,000 cash payment due on 31 December 2009.

8. Asset Retirement Obligation

The Company has recorded an Asset Retirement Obligation of $300,000 as of 31 December 2008. The amount was based on an estimate prepared by management to remove drill platforms, to plant grass, and to level out the areas of trenching and drilling.

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

		2008		2007
Corani Project, Peru	$	200,000	$	200,000
Santa Ana Project, Peru		100,000		75,000
	$	300,000	$	275,000

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.

9. Share Capital

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

	Shares		Amount
Authorized:			
Unlimited common shares without par value			
Issued and fully paid:			
Balance – 31 December 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		706,907
Shares issued for property *(Note 6(a))*	3,991,000		17,093,996
Shares issued for private placement	4,855,000		24,720,883
Share issuance costs – private placement	-		(1,537,508)
Fair value of options exercised	-		8,327
Fair value of warrants issued	-		(921,690)
Balance – 31 December 2008	55,457,023	$	89,105,173

On 17 July 2008, the Company closed its underwritten financing through a syndicate of underwriters of 4,225,000 units at a price of C$5.10 per unit for gross proceeds of $21,547,500. Each Unit is comprised of one common share and one-half of one common share purchase. Each whole warrant is exercisable into one common share of the Company until September 15, 2009 at a price of C$6.25. The underwriters exercised their over-allotment option to acquire an additional 630,000 units for additional gross proceeds of $3,213,000. Including the proceeds from the exercise of the over-allotment, the total gross proceeds of the offering were C$24,760,500. The underwriting fee associated with this issuance included a cash commission of $1,359,400 ($0.28 per unit). The total share issuance costs relating to this transaction amounted to $1,537,508.

The value of the warrants was estimated at $982,817 using the Black-Scholes option pricing model *(Note 9(d))*. The share issuance costs were allocated between shares and warrants on a pro rata basis such that $61,127 of this amount was allocated to the share purchase warrants issued as part of the units.

Subsequent to 31 December 2008, the Company issued 1,021,266 common shares to Rio Tinto as part of the amended agreement related to the 30% acquisition of the Corani project *(Note 14)*.

b) **Details of Contributed Surplus:**

	2008	2007
Balance – Beginning of Period	$ 10,980,418	$ 4,436,161
Fair value of private placement warrants *(Note 9(a))*	982,817	3,690,596
Fair value of stock-based compensation *(Note 9(c))*	1,622,430	3,254,894
Fair value of broker warrants exercised	-	(16,844)
Fair value of stock options exercised	(8,327)	(171,137)
Issuance costs *(Note 9(a))*	(61,127)	(213,252)
Balance – End of Period	$ 13,516,211	$ 10,980,418

c) **Share Purchase Options**

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

	Number of options	Weighted average exercise price (in CDN$)
Options outstanding at 31 December 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
Forfeited	(6,000)	8.08
Granted	165,000	5.12
Options outstanding at 31 December 2008	**3,347,850**	**2.25**

A summary of the Company's options as at 31 December 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
	726,000	Cdn$3.00	5 August 2010
	835,000	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
	15,000	Cdn$6.80	1 May 2013
	150,000	Cdn$4.95	2 July 2013
	3,347,850		

As at 31 December 2008, 3,227,850 options have vested.

Subsequent to 31 December 2008, the Company granted employees, consultants and officers of the Company options to purchase up to 1,141,000 common shares of the Company at an exercise price of C$1.24 per share. These options had an estimated value of $1,265,737 on the grant date.

On 1 May 2008, the Company granted an employee of the Company options to purchase up to 15,000 common shares of the Company at an exercise price of C$6.80 per share. These options had a $71,178 estimated value on the grant date.

On 2 July 2008, the Company granted employees, consultants and officers of the Company options to purchase up to 150,000 common shares of the Company at an exercise price of C$4.95 per share. These options had a $471,491 estimated value on the grant date.

The options granted during the year ended 31 December 2008 were valued at $542,669 using the Black-Scholes option pricing model, based on the following assumptions:

	2008	2007
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	77 – 89%	112%
Risk-free interest rate	3.04 – 3.45%	4.30%
Expected life of options	5 years	5 years

The weighted average fair value of the options granted was C$5.12.

The stock-based compensation recorded in the current period of $1,622,430 relates to prior period grants. $294,682 remains to be recorded subsequent to 31 December 2008 on options which have yet to vest.

d) **Share Purchase Warrants**

	Number	Price per Share	Expiry Date
Warrants outstanding	1,212,499	C$10.50	1 August 2009
	2,427,500	C$6.25	15 September 2009
	3,639,999		

The warrants granted in the private placement on 17 July 2008, were valued at $982,817 using the Black-Scholes option pricing model, based on the following assumptions:

	17 July 2008
Expected dividend yield	0.00%
Expected stock price volatility	55.6%
Risk-free interest rate	3.11%
Expected life of warrants	14 months

The weighted average fair value of the warrants granted was Cdn$0.42.

10. Related Party Transactions

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

		2008		2007
Consulting fees paid to a director of the Company	$	52,000	$	48,400
Legal fees paid to a firm in which a director of the Company is a partner	$	95,533	$	35,243
Legal fees paid to a firm in which an officer of the Company is a partner	$	356,266	$	149,447
Accounting fees paid to a firm in which an officer of the Company is a partner	$	111,837	$	66,987

Included in accounts payable are $45,870 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.

11. Segmented Information

The Company has one operating segment, which is mineral exploration. All of the Company's exploration expenses as disclosed on the exploration cost schedule are incurred in Peru and of the Company's assets, $82,336,975 (2007 - $966,628) are located in Peru. All other assets and expenses are located in Canada.

12. 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 CEO 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. On 2 September 2008, the officer of the Company resigned as Vice President of Explorations, and the Company entered into a consulting agreement, to act as Consultant to the CEO as needed at US$800/day.

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.

d) On 17 July 2008, Bear Creek entered into an 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 *(Notes 6 (a), 7 and 14).*

13. Income Tax

a) A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2008		2007
Loss before income taxes	$	(18,055,618)	$	(14,000,439)
Statutory tax rate		31.0%		34.12%
Expected income tax (recovery)	$	(5,597,242)	$	(4,777,000)
Non-deductible expenses		929,193		1,069,000
Foreign tax rates different from statutory rates		120,681		408,000
Benefit of certain Peruvian future tax assets recorded on acquisition		4,919,331		-
Foreign exchange and other		602,759		
Change in valuation allowance		(974,722)		3,300,000
Total income taxes (recovery)	$	-	$	-

b) The significant components of the Company's future income tax assets and liabilities are as follows:

	2008	2007
Future income tax assets		
Non-capital losses	$ 4,193,857	$ 2,943,000
Unamortized share issue costs	508,484	350,000
Tax value of resource properties and plant and equipment costs in excess of net book value of resource properties and plant and equipment	3,388,938	5,773,000
	8,091,279	9,066,000
Valuation allowance	(8,091,279)	(9,066,000)
Net future income tax assets	-	-
Future income tax liabilities		
Resource property costs	18,598,319	-
Future income tax liabilities	18,598,319	-
Future income tax liability, net	18,598,319	

The Company has non-capital loss carry-forwards of approximately $15,015,490 that may be available for tax purposes. The loss carry-forwards are all in respect of Canadian and Peruvian operations and expire as follows:

2009	38,654
2010	921,459
2014	548,164
2015	590,101
2026	787,813
2027	2,119,112
2028	339,616
Unlimited	9,670,571
	$ 15,015,490

A full valuation allowance has been recorded against the net potential future income tax assets associated with the Canadian and Peruvian loss carry-forwards and certain other deductible temporary differences as their utilization is not considered more likely than not at this time.

Future income tax assets are not recorded for the above tax loss carry-forwards due to uncertainty of their recovery. The tax losses may be subject to audit and adjustment by local tax authorities as well as other local regulations.

14. Subsequent Events

a) Subsequent to the year end, the Company granted employees, consultants and officers of the Company options to purchase up to 1,141,000 common shares of the Company at an exercise price of C$1.24 per share. These options had an estimated value of $1,265,737 on the grant date.

b) 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 silver and base-metals deposit *(Notes 6 (a), and 7).*

Under the Amendment Agreement, Rio Tinto has agreed to restructure the final two cash payments of US$15 million previously due 30 September 2009 and $25 million previously due 31 December 2009. In consideration for deferring the majority of these payments out several years, the purchase price is increased by $2.2 million to $77.2 million, of which $35 million has been paid in shares or cash. The restructured remaining payments are described below:

- $5 million due 31 December 2009
- $10 million due 31 December 2010
- $10 million due 30 September 2011
- $15 million due 30 June 2012.

Bear Creek has agreed to make the following additional payments (payable in cash or in shares (issuable at a 15% discount from then current market prices) at the option of Bear Creek) in consideration for the restructuring:

- $1.1 million upon signing of the amended agreement or as soon thereafter as stock exchange acceptance is received (paid by the issuance of 1,021,266 million shares of Bear Creek).
- $1.1 million due on 10 January 2011.

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

Our Management's Discussion and Analysis

Introduction

Prepared 12 March 2009 for the period ended 31 December 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 audited annual consolidated financial statements for the year ended 31 December 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.

Current Developments

On February 27, 2009 the Company announced that it has entered into an amendment agreement (the "Amendment Agreement") with Rio Tinto Mining and Exploration Ltd. ("Rio Tinto") in respect of its purchase of Rio Tinto's remaining 30% interest in the Corani silver and base-metals deposit as disclosed in its news releases dated March 7, June 11, and July 17, 2008.

Under the Amendment Agreement, Rio Tinto has agreed to restructure the final two cash payments of US$15 million previously due September 30th 2009 and $25 million previously due December 31st, 2009. In consideration for deferring the majority of these payments out several years, the purchase price is increased by $2.2 million to $77.2 million, of which $35 million has been paid in a combination of cash and shares. The restructured remaining payments are described below:

- \$5 million due December 31st , 2009
- \$10 million due December 31st , 2010
- \$10 million due September 30th, 2011
- \$15 million due June 30 th, 2012.

Bear Creek has agreed to make the following additional payments (payable in cash or in shares issuable at a 15% discount from then current market prices at the option of Bear Creek) in consideration for the restructuring:

- \$1.1 million upon signing of the amended agreement or as soon thereafter as stock exchange acceptance is received, paid by the issuance of 1,021,266 common shares of Bear Creek; and
- \$1.1 million due on January 10 th, 2011.

Additionally, the Amendment Agreement removes the accelerated payment condition upon change of control of Bear Creek and provides for the reduction of the security for the balance of the price to security charging only the Corani property once Bear Creek completes the next two payments totaling \$15 million. A copy of the Amendment Agreement will be filed on SEDAR under Bear Creek's profile at www.sedar.com.

Current Status

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

The accompanying 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 \$60,237,501 at 31 December 2008. The next \$15 million in payments, on the Corani Project agreement, (including \$5 million due in 2009 and \$10 million in 2010), due to Rio Tinto are secured by a general security agreement over all the assets of the Company. The Company will need to raise sufficient funds to meet these obligations as well as fund ongoing exploration and administration expenses. The Company has no assurance that such financing will be available or be available on favourable terms. 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. If successful, the Company would obtain additional financing through but not limited to, the issuance of additional equity.

The accompanying consolidated 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.

The Company has recognized the current status of capital markets and the difficulty in raising additional capital and as a result has decreased its ongoing exploration expenditures in order to preserve its current cash and cash equivalents. In order to preserve cash and cash equivalents, the Company has reduced its staffing levels, delayed certain aspects of its prefeasibility study on Corani, delayed its preliminary economic assessment on Santa Ana, reduced exploration costs and has significantly curtailed drilling activity.

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

On 17 July 2008, the Company completed its 100% acquisition of the Corani Project from 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. For acquiring the remaining 30% Bear Creek has agreed, which has been amended by way of agreement dated 26 February 2009, to pay Rio Tinto as follows: (i) 5,012,266 Bear Creek common shares (issued); (ii) $5 million in cash paid 19 December 2008, (iii) $5 million in cash payable on or before 31 December 2009, (iv) $10.0 million in cash payable on or before 31 December 2010 (vi) $1.1 million on or before 10 January 2011 and (vii) $10 million in cash payable on or before 30 September 2011 and (vii) $15 million due on or before 30 June 2012. In addition to the above, 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 it is without merit. The balance of the purchase price is secured by a General Security Agreement over all of the assets of the Company in favor of Rio Tinto in addition to a mortgage on the Corani property, subordinated to future project financing. The General Security Agreement will be removed after the 31 December 2010 payment has been made to Rio Tinto.

Under the terms of the Purchase and Sale 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 (July 17, 2008), change of control of Bear Creek or the disposition by Bear Creek of more than a 50% interest in either the Corani and/or Santa Ana projects.

The complete Purchase Agreement with Rio Tinto has been filed and can be viewed on the SEDAR website.

Current Developments at Corani

Bear Creek commenced its Prefeasibility Study in July 2008 and as part of the Study, preliminary design criteria have been defined and field engineering test work has been initiated. The Company also reported during the quarter, lock-cycle flotation tests on six mixed sulfide composites representing approximately 70% of the mineralization in the resource model. These latest testwork results show average silver recovery in the separate lead and zinc concentrates of 80.6%, lead recovery of 75.3% and zinc recovery of 68.4% into separate silver-lead and zinc concentrates. These results vary from previous guidance as testing continues to be optimized and the final overall recoveries are expected to remain at 80% silver, 60% lead and 75% zinc. As the Corani 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. Upon reviewing the capital markets, market conditions and commodity prices, the Company has decided to delay certain elements of the Prefeasibility Study in order to conserve cash until conditions better warrant the study's completion. Metallurgical testing continues, as well as components requiring long lead time, such as the collection of weather and water related data. The study is planned to be completed during the third quarter of 2009.

For the purposes of the Prefeasibility Study, the current commodities and capital markets have been considered in selection of design criteria. Corani presents different development alternatives which address changes in market conditions since the January 2008 completion of the Company's Preliminary Economic Assessment ("PEA"). The design criteria selected for the prefeasibility study, described below, are aimed at maintaining an optimal project size that represents value beyond the Company's current market capitalization.

The throughput selected for the Prefeasibility Study is 15,000 tonnes per day, focusing on the higher-grade starter pits having low stripping ratios and containing ores demonstrated to yield the highest metallurgical recoveries based upon extensive testing to date. Management believes that capital expenditures can be reduced by as much as 30% of the $428 million originally proposed in the Company's PEA, thereby significantly reducing the upfront investment required as proposed and minimizing exposure to capital overruns on large mining projects.

The grade-tonnage curves, mine sequencing, and metallurgical mapping have been analyzed within the context of the latest resource and financial models. Through a series of exercises in conjunction with our prefeasibility engineering group, Samuel Engineering, Independent Mining Consultants and RDI, a preliminary mining sequence and processing plan have been formulated which optimize the IRR and capital requirements at various throughput ranges. The resulting design criteria for the Prefeasibility Study are expected to:

- Adopt a 15,000 tonnes per day flotation process plant focusing on processing the higher grade and high recovery sulfide ores early in the mine life
- Target the average head grade at 70g/t Ag, 1.1% Pb and 0.6% Zn , equivalent to 127 g/t Ag, for life of the project
- Schedule higher-grade pits yielding silver production of 10-14 million ounces per year during the first 7 years
- Focus on the 90 to 100 million tonnes of the resource that contains 210 million higher grade ounces within mining pits having a low strip ratio (1.4:1)
- Identify an additional 150 million ounces of silver in resources as upside potential for increased silver production in future years or for mine expansion depending on silver pricing.

The financial results will depend on detailed mine planning, metal prices and updated capital expenditure requirements and operating cost estimates produced during the course of the Prefeasibility Study. The selected approach, namely focusing on Corani's flexibility in development plan alternatives and initial higher silver production, is expected to confirm positive financial performance.

During the year ended 31 December 2008, the Company incurred and accrued acquisition and exploration expenditures of $86.2 million on the Corani project. Included in this total are option payments of $3.0 million, $79.7 million for the acquisition of the remaining 30% of the Corani asset from Rio Tinto. Legal and accounting costs relating to the acquisition of $0.08, drilling costs of $0.5 million, salaries and consulting of $1.9 million, travel costs of $0.5 million, geophysics of $0.2 million and other costs of $0.3 million.

As at 31 December 2008, the Company had $85.0 million (2007 – $2.3 million) of capitalized acquisition costs related to the Corani project.

Santa Ana Project

The Company 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 September 2008, the Company completed its second resource estimate based on 47,436 meters of drilling in 260 drill holes completed through July 2008. 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
2 September 2008

					Contained Metal		
Category	**Ktonnes**	**Silver Gm/t**	**Lead %**	**Zinc %**	**Silver Million Ozs**	**Lead Million Lbs**	**Zinc Million Lbs**
Measured	10,385	48.1	0.36	0.64	16.1	82.4	146.5
Indicated	45,592	45.1	0.33	0.56	66.1	331.7	562.9
Measured + Indicated	55,977	45.7	0.34	0.57	82.2	414.1	709.4
Inferred	23,333	50.3	0.32	0.51	37.7	164.6	262.3

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 many of these blocks to resource, reducing the stripping ratio. Lead and zinc are not recovered in a heap leach; however, flotation testing will examine this as higher-grade base metals are seen in several drill holes.

Included in the measured and indicated resources are 14.1 million tonnes averaging 63 g/t silver (approximately 26M ounces of silver). These higher-grade resources are expected to provide starter pits at grades 50% higher than the average resource grade for sequencing into the early years of mining. The additional mining sequencing studies are expected to have a positive effect on project economics as a result of early higher grade silver pits. The Scoping Study and Preliminary Economic Assessment ("PEA") are awaiting further detailed mine planning utilizing a resource model which will include the additional drill data and mine sequencing studies.

Drilling

The Company has completed 55,574 meters of drilling in 306 drill holes. Silver mineralization is contained in low-angle structures and broad, vertical structural zones outcropping at surface and extending to depths of at least 150 vertical meters. Typical mineralized drill intercepts average 50 to 75 meters thick, with grades between 20 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 two 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. Currently, drilling has been temporarily suspended in order to change equipment to a drill rig capable of drilling large-diameter diamond core holes for the purposes of confirming in-fill drilling and providing samples for heap leach simulated test work, as described below. The Company expects that the completed in-fill drilling will convert internal waste to mineralization contained within the current resource model when the resource model is updated for the PEA. 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

Ongoing leach testing continues to support recoveries in heap leach conditions in all areas explored to date and across all silver grade ranges. A test program is planned for the second half of 2009 that will involve the drilling of at least three large diameter drill holes in different areas of the deposit. The large drill core will then be shipped to an independent test lab where large diameter leach column tests will be performed. The purpose of this test program will be to evaluate the recovery of silver at coarser crush sizes and thus potentially significantly reducing the operating costs while maintaining high metal recoveries.

The future test work is based upon results of the second phase test program completed earlier in 2008 involving three column leach tests performed at McClelland Laboratories in Sparks Nevada. Results show that the Santa Ana material is well suited for heap leach recovery methods. In the test program, average silver recovery of 64.6% was achieved for the conventional tests, and overall long-term silver recovery is expected to exceed 70%, according to McClelland Laboratories.

The company also continues to periodically select samples for diagnostic leach amenability or "Shaker Tests" where the samples are leached for a 24-hour period. Recently the Company completed a 55 sample program that showed an over all recovery of 69% of the silver. These samples were chosen from the recently discovered new areas of the deposit and the results are in line with similar programs which have been performed during the development of the project. These results show that the deposit has a very consistent response to leaching.

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. This test work indicates that separation and treatment of higher-grade silver mineralization during mining may be appropriate for inclusion as an alternative processing approach in the PEA.

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*:**

The Company will review capital markets, market conditions and commodity prices and may delay certain elements of the PEA in order to conserve cash until conditions better warrant the study's completion. Currently, the PEA is to be completed in the middle of 2009. The PEA will include additional drilling updating the resource modeling as drilling continues to intersect near surface high grade structures not yet incorporated into the latest resource model. Metallurgical testing utilizing diagnostic shaker leach tests continues to confirm that new mineralization added to the resource is responding similarly to cyanide extraction as the materials reported in the column leach tests.

During the year ended 31 December 2008, the Company incurred expenditures of $6.2 million on the Santa Ana project. Included in this total are: $4.0 million of drilling costs, salaries and consulting of $0.8 million, travel costs of $0.5 million, assays and sampling of $0.3 million and various other costs of $0.4 million.

As at 31 December 2008, the Company had $0.1 million (2007 – $0.8 million) of capitalized acquisition costs related to the Santa Ana project.

Antash

Antash represents a porphyry copper (molybdenum-gold) target covered by the following properties: Fe y Esperanza 1, Antash 1 and Colcabamba. The Company owns 100% of the 1,000 hectares Antash concession and held option agreements to acquire 100% of Fe y Esperanza 1 and Colcabamba, containing both with 100 hectares each. A first drill program was recently performed and results are being evaluated.

As at 31 December 2008 and 2007, the Company had no capitalized acquisition costs related to the Antash project.

La Yegua

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

In February 2007, Bear Creek signed a Letter of Intent with Chapleau Resources Ltd. ("**Chapleau**") and subsequently formalized by an option agreement dated January 29, 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 US$2.65 million in exploration over a four year period and the issuance of the equivalent of US$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 they have currently completed 900 meters of drilling and are planning to further drill the property during 2009. Results from the initial Chapleau drilling program announced on December 18, 2007 and 20 February, 2008 states that hole #1, was drilled to a depth of 180.0 m ending in copper mineralization, returned an average copper and gold grade from 0.0 to 180.0 m of 0.21% Cu and 0.05 g/t Au. Included in Hole #1 was a 2.0 m enrichment zone of 2.25 % Cu and 0.57 g/t Au from 63.0 to 65.0 m with 1.0 m of 4.04 % Cu and 1.00 g/t Au from 64.0 to 65.0 m. According to Chapleau, the first four holes were drilled vertically and drill cores were taken at a minimum of 1.0 m and maximum of 2.0 m intervals.

As at 31 December 2008 and 2007, the Company had no capitalized acquisition costs related to the La Yegua project.

Piedra Sagrada Project

During 2008 the Company entered into option agreements in which Bear Creek could earn 100% of the two properties that comprises Piedra Sagrada by making escalating payments totaling $10.1 million over 4 years. Piedra Sagrada is located approximately 13 km east of Southern Copper's Los Chancas copper porphyry deposit and is comprised of highly fractured quartzites and intrusive rocks. Gold mineralization occurs in sub-vertical structures aggregating to highly fractured zones as much as 200m wide. A first drill program was recently performed in Piedra Sagrada and results are being evaluated.

As at 31 December 2008 and 2007, the Company had no capitalized acquisition costs related to the Piedra-Sagrada project.

Generative Exploration

Generative exploration is a crucial part in 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 $1.5 million represents the amount of IGV that has been paid to the Peruvian government during the year ended 31 December 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 December 2008, the total value of the IGV receivable in Peru was $4.9 million (15.4 million soles).

Other Properties

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

Bear Creek's Results of Operations

Bear Creek is a publicly traded Canadian exploration company with no mineral producing properties, and thus, does not have revenues from any mineral properties.

For the Year Ended 31 December 2008 as compared to the Year Months Ended 31 December 2007

Net Loss and Operating Expenses

In the current period, the Company experienced a net loss of $18.1 million compared to a net loss of $14.0 million for the same period in 2007, an increase in net loss of $4.1 million. In the current period, the Company had a loss per share of $0.36 compared to $0.32 for the same period in 2007. The increase in net loss is primarily due to $2.4 million of additional exploration costs being incurred in the current period, primarily as a result of the advancement of the Santa Ana project and a loss incurred on foreign exchange. This increase was offset by a decrease in stock based compensation due to fewer stock options vesting within the period. The increase in exploration expenditures in the current period primarily related to drilling and exploration activities on Santa Ana. In addition the Company experienced a foreign exchange loss of $1.9. The foreign exchange loss is comprised of a loss of approximately $3.9 million on foreign exchange 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 and a gain of $2.0 million related to a reduction in the future income tax due to the Company having its future income tax obligations denominated in Peruvian Soles and reporting its results in US dollars.

Total operating expenses for the current period were $16.5 million compared to operating expenses of $15.7 million for the same period in 2007.

For the Three Months Ended 31 December 2008 as compared to the Three Months Ended 31 December 2007

In the current quarter, the Company experienced a net loss of $3.6 million compared to a net loss of $4.9 million for the same period in 2007, a decrease in net loss of $1.3 million. The decrease in net loss is primarily due to total exploration costs decreasing from $4.4 million to $2.2 in the current quarter, primarily as a result of decreased drilling on the Santa Ana project. In the current quarter the Company had a loss per share of $0.07 compared to $0.11 for the same period in 2007.

Total operating expenses for the fourth quarter in 2008 were $2.7 million compared to operating expenses of $5.4 million for the same period in 2007. Exploration costs were $2.2 million in the current quarter, down from $4.4 million in the same period in the 2007 fiscal year, due to the decreased exploration expenditures on the Company's Santa Ana and Piedra Sagrada projects.

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
4th Quarter 2008	Nil	(3.6)	(0.07)
3rd Quarter 2008	Nil	(5.6)	(0.10)
2nd Quarter 2008	Nil	(4.8)	(0.10)
1st Quarter 2008	Nil	(4.1)	(0.09)
4th Quarter 2007	Nil	(4.9)	(0.11)
3rd Quarter 2007	Nil	(2.9)	(0.07)
2nd Quarter 2007	Nil	(3.9)	(0.09)
1st Quarter 2007	Nil	(2.3)	(0.06)

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

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

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

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.

Selected Annual Information

The following table sets out selected annual financial information of the Company and is derived from the Company's audited consolidated financial statements for the periods ended 31 December 2008, 2007 and 2006.

		2008		2007		2006
Sales	$	-	$	-	$	-
Loss for the Period – In Millions	$	(18.1)	$	(14.0)	$	(15.3)
Loss per Share - Basic and Diluted	$	(0.36)	$	(0.32)	$	(0.39)
Total Assets – In Millions	$	98.8	$	18.8	$	5.4
Total Liabilities – In Millions	$	56.4	$	0.3	$	-
Dividends Declared	$	Nil	$	Nil	$	Nil

Liquidity and Capital Resources

Of the $12.8 million in cash and cash equivalents and short term investments as at 31 December 2008, approximately $12.5 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 December 2008, the Company had 55,457,023 issued shares. As at 31 December 2008, the Company's net working capital was $8.0 million compared to a net working capital of $15.5 million as at 31 December 2007. The cash balance at 31 December 2008 was $12.8 million compared to $10.8 million as at 31 December 2007. As at 31 December 2008 current liabilities were $5.4 million compared to $0.7 million as at 31 December 2007. Included in current liabilities is the amount owing to Rio Tinto to be paid in 2009 of $5 million. Current liabilities have been classified in accordance with EIC 122, which accounts for the amended payment terms for the agreement entered into subsequent to 31 December 2008 with Rio Tinto. The revaluation of the amounts due to Rio Tinto will be recorded in the first quarter of 2009.

In addition, the Company accrued reclamation costs for its Corani and Santa Ana projects of $25,000 during the prior year for future site remedial work.

On 17 July 2008, the Company closed an underwritten financing through a syndicate of underwriters of 4,855,000 units at a price of C$5.10 per unit for gross proceeds of $24.7 million. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Company until 15 September 2009 at a price of C$6.25. The underwriting fee associated with this issuance included a cash commission of $1,359,400 ($0.28 per unit).

As at 12 March 2009, the Company had 56,478,289 outstanding common shares. The Company has 4,449,850 share purchase options and 3,639,999 share purchase warrants outstanding. The average exercise price of the share purchase options is C$5.07, and the share purchase warrants exercise prices are at C$6.25 and C$10.50.

Expenditures under consideration for the 2009 fiscal year include the completion of 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 these expenditures, the Company has to make the $5 million payment due on or before 31 December 2009. The Company expects to have the funds available to make the $5 million payment and fund minimum exploration expenditures in 2009 and 2010. This estimate is based on current information, as the Company's expenditures and cash requirements may change over time. The Company has significant future payments required in 2010 and beyond, which are secured by a general security agreement against all of the assets of the Company to Rio Tinto. These payments will require the Company to raise sufficient funds in either 2009 or 2010 to meet these obligations as well as fund ongoing exploration and development expenses. The Company has no assurance that such financing will be available or be available on favorable terms, especially considering the current market conditions. 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). If successful, the Company would obtain additional financing through but not limited to, the issuance of additional equity.

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

	$
On signing of amendment agreement (paid by issuance of shares)	1,100,000
31 December 2009	5,000,000
31 December 2010	10,000,000
10 January 2011	1,100,000
30 September 2011	10,000,000
30 June 2012	15,000,000

Financing Activities

During the year ended 31 December 2008, the Company received cash proceeds of $24.7 million from the private placement issued 17 July 2008 and $0.7 million from the exercise of 1,394,000 options.

Investing Activities

During the year ended 31 December 2008, the Company made its final option payment of $3.0 million related to its Corani option agreement, and a cash payment of $5.0 million related to the acquisition of the remaining 30% of the Corani project from Rio Tinto. In addition the Company issued 3.991 million shares and assumed $40 million of debt owed to Rio Tinto as part of the acquisition of the remaining 30% of the Corani project. Both the share issuance and the debt are included in the schedule of non-cash transactions on the cash flow statement.

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 armslength transactions. Each of the transactions described below met those requirements and occurred during the period ended 31 December 2008.

The Company received legal services, totaling $356,266, from a law firm in which an Officer of Bear Creek is a partner. Legal fees related primarily to the listing of the Company's warrants, the equity financing, Rio Tinto acquisition 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 $111,837.

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 $52,000.

The Company received legal services, totaling $95,533, from a law firm in which a Director of Bear Creek is a partner.

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 property for impairment when events or changes in circumstances indicate that the carrying amount of the related asset may not be recoverable. Management has determined that no impairment is required on its capitalized mineral property as its projected future undiscounted cash flow of its Corani project is greater than its carrying value. This analysis was performed using both current metal prices of silver, lead and zinc as well as using standardized prices of silver, lead and zinc according to industry standards. If the total estimated future operating cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is recognized and assets are written down to fair value which is normally determined using the discounted value of future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a mineral property is impaired it is written down to its estimated fair value.

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

b) Estimates

Financial statements in conformity with Canadian GAAP require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and could result in a material change in the carrying value of the Company's capitalized resource property costs.

c) Changes in Accounting Policies including Initial Adoption

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 form financial instruments and how the entity manages those risks.

   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.

c) Section 1400 – General Standards of Financial Statement Presentation. Section 1400 was amended to include requirements to assess and disclose an entity's ability to continue as a going concern.

d) The adoption of Sections 3862, 3863, 1535, and 1400 had no impact on the opening equity and losses of the Company.

d) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after 1 January 2011. The transition date of 1 January 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended 31 December 2010. In July 2008 AcSB announced that early adoption will be allowed in 2009 subject to seeking exemptive relief. The Company is currently assessing the financial reporting impact of the transition to IFRS and the changeover date.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short term investments, accounts payable and accrued liabilities, due to related parties and due to Rio Tinto. 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. Except for Rio Tinto, the fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation. Amounts due to Rio Tinto are carried at its amortized costs using the effective interest method of amortization.

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

Management of capital risk

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

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

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 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.

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 December 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and Peruvian Soles:

	31 December 2008	
	Canadian Dollars	Peruvian Soles
Cash and cash equivalents	15,194,587	311,530
Accounts receivable	-	113,813
Accounts payable and accrued liabilities	(179,462)	(696,716)

Based on the above net exposures as at 31 December 2008, 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 $1.2 million in the Company's net earnings. Likewise, a 10% depreciation or appreciation of the US dollar against the Peruvian Soles would result in a decrease/increase of $0.01 million in the Company's net earnings.

Credit risk

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

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

	(000s)	
	2008	**2007**
	$	**$**
Cash and cash equivalents	12,774	10,848
Short-term investments	35	5,148
Other assets	597	203

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its operating commitments. The Company manages liquidity by maintaining adequate cash and cash equivalent balances to meet its short term commitments and by raising equity or debt financing as required to meet long term commitments. The Company has no assurance that such financing will be available or be available on favourable terms. The Company believes it is subject to material liquidity risk though its obligation to Rio Tinto. In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing from sales of common shares. The following table summarizes the remaining contractual maturities of the Company's financial liabilities and operating and capital commitments at December 31, 2008:

	(000s)					
	2009 $	**2010** $	**2011** $	**2012** $	**2013 and later** $	**Total** $
Accounts payable	347	-	-	-	-	347
Due to related party	46	-	-	-	-	46
Asset retirement obligations	-	-	-	-	300	300
Rio Tinto debt	5,000	10,000	11,100	15,000	-	41,100
Employment agreements	200	67	-	-	-	267
Operating leases	106	106	106	-	-	318
Totals	5,699	10,173	11,206	15,000	300	42,378

Interest rate risk

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

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 mineral property costs could be adversely affected by any reductions in the long term prices of silver, lead and zinc.

Approval

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

Additional Information

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