BEARING RESOURCES LTD.

(An Exploration Stage Company)

Consolidated Financial Statements

For the Year ended October 31, 2011

(Expressed in Canadian dollars, except where indicated)

Management's Responsibility for Financial Reporting

The consolidated financial statements of Bearing Resources Ltd. and the information contained in the annual report have been prepared by and are the responsibility of the Company's management. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada, which requires International Financial Reporting Standards, and, where appropriate, reflect management's best estimates and judgements based on currently available information.

Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is reliable.

The Company's independent auditors, PricewaterhouseCoopers LLP, who are appointed by the shareholders, conduct an audit in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of their audit and gives their opinion on the consolidated financial statements.

The Audit Committee of the Board of Directors meets periodically with management and the independent auditors to review the scope and results of the annual audit, and to review the consolidated financial statements and related financial reporting matters prior to approval of the consolidated financial statements.

"Geoff Chater"
President and Chief Executive Officer

"Damian Towns"
Chief Financial Officer

December 21, 2011

December 21, 2011

Independent Auditor's Report

To the Shareholders of Bearing Resources Ltd.

We have audited the accompanying consolidated financial statements of Bearing Resources Ltd. and its subsidiaries (together, the "Company"), which comprise the consolidated statement of financial position as at October 31, 2011 and 2010 and November 1, 2009 and the consolidated statement of loss and comprehensive loss, the consolidated statements of shareholders' equity and consolidated statement of cash flow for the years ended October 31, 2011 and October 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Bearing Resources Ltd. and its subsidiaries as at October 31, 2011 and 2010 and November 1, 2009 and their financial performance and their cash flows for the years ended October 31, 2011 and 2010 then ended in accordance with International Financial Reporting Standards.

Signed "PricewaterhouseCoopers LLP"

Chartered Accountants

PricewaterhouseCoopers LLP Chartered Accountants
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Bearing Resources Ltd.

Consolidated Statement of Financial Position

As at October 31, 2011 and 2010 and November 1, 2009

(Expressed in Canadian dollars, except where indicated)

	October 31, 2011 $	October 31, 2010 $ (restated)	November 1, 2009 $ (restated)
Assets			
Current assets			
Cash and cash equivalents (note 6)	4,582,528	-	-
Accounts receivable and prepaid expenses	221,204	-	-
	4,803,732	-	-
Non-current assets			
Reclamation bonds and deposits	21,505	11,500	11,500
Mineral property interests (note 8)	1,048,819	711,012	632,887
Property, plant and equipment	67,448	16,393	2,778
	5,941,504	738,905	647,165
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	355,667	-	-
Flow through share premium liability (note 9)	69,465	-	-
	425,132	-	-
Shareholders' Equity			
Common shares	8,094,885	-	-
Contributed surplus	4,407,606	4,169,805	3,359,060
Accumulated other comprehensive income ("AOCI")	(5,999)	-	-
Deficit	(6,980,120)	(3,430,900)	(2,711,895)
	5,516,372	738,905	647,165
	5,941,504	738,905	647,165

Contingencies (note 15)
Subsequent events (note 16)

Approved by the Board of Directors

"Brian Bayley"
Director

"Damian Towns"
Director

Bearing Resources Ltd.

Consolidated Statement of Loss and Comprehensive Loss

As at October 31, 2011 and 2010

(Expressed in Canadian dollars, except where indicated)

Expenditures	**2011**	**2010**
	$	**$**
Exploration		
Camp & accommodation	295,752	-
Drilling	906,724	-
General & administration	273,391	151,764
Geology & geochemistry	719,712	316,352
Geophysics	334,214	28,644
Write-downs (recoveries)	4,486	(25,000)
	2,534,279	471,760
Corporate and Other Costs		
Audit, filing and legal fees	333,916	-
Consulting and labour	291,509	145,428
Depreciation and amortization	8,243	7,232
Finance income	(21,454)	-
Flow through premium recognition (note 9)	(164,192)	-
Other costs	31,923	21,333
Rent and office costs	87,424	24,335
Share-based payments	406,517	-
Travel and promotion	41,055	48,917
	1,014,941	247,245
Loss for the year	3,549,220	719,005
Other Comprehensive Income		
Foreign currency translation adjustment	5,999	-
	5,999	-
Loss and comprehensive loss for the year	3,555,219	719,005
Basic and diluted loss per share ($ per share)	$0.36	n/a
Weighted average shares outstanding (000's)	9,969	n/a

The accompanying notes form an integral part of these financial statements.

Bearing Resources Ltd.

Consolidated Statements of Shareholders' Equity

For the years ended October 31, 2011 and 2010

(Expressed in Canadian dollars, except where indicated)

	Common shares					
	No. of shares #	**Amount $**	**Deficit $**	**Contributed Surplus $**	**AOCI $**	**Shareholders' equity $**
Balance – November 1, 2009	-	-	(2,711,895)	3,359,060	-	647,165
Funding by Valley High (note 2)	-	-	-	810,745	-	810,745
Comprehensive income (loss)	-	-	(719,005)	-	-	(719,005)
Balance – October 31, 2010	-	-	(3,430,900)	4,169,805	-	738,905
Balance – November 1, 2010	-	-	(3,430,900)	4,169,805	-	738,905
Issuance of seed shares	1	1	-	-	-	1
Funding by Valley High (note 2)	-	-	-	344,638	-	344,638
Pursuant to Plan of Arrangement (note 2)						
Cancellation of seed shares	(1)	(1)	-	-	-	(1)
Issuance of common shares	8,975,362	2,640,475	-	(840,475)	-	1,800,000
Share Issuances (note 9)	14,385,714	5,454,410	-	327,121	-	5,781,531
Share-based payments	-	-	-	406,517	-	406,517
Comprehensive income (loss)	-	-	(3,549,220)	-	(5,999)	(3,555,219)
Balance – October 31, 2011	23,361,076	8,094,885	(6,980,120)	4,407,606	(5,999)	5,516,372

Bearing Resources Ltd.

Consolidated Statement of Cash Flow

For the years ended October 31, 2011 and 2010

(Expressed in Canadian dollars, except where indicated)

	2011 $	2010 $
Cash flows from operating activities		
Loss for the year	(3,549,220)	(719,005)
Items not affecting cash		
Depreciation and amortization	8,243	7,232
Flow through premium recognition	(164,192)	-
Share-based payment expense	406,517	-
Write-down of mineral property	23,182	-
	(3,275,470)	(711,773)
Change in non-cash operating working capital		
Increase in accounts receivable & prepaid expenses	(236,755)	-
Increase in accounts payable & accrued liabilities	355,666	-
	(3,156,559)	(711,773)
Cash flows from financing activities		
Funding provided by Valley High	297,412	803,513
Share issuances	5,935,189	-
Cash from Plan of Arrangement (note 2)	1,800,000	-
	8,032,601	803,513
Cash flows from investing activities		
Mineral property acquisition costs	(270,013)	(78,125)
Mineral property reimbursements	36,250	-
Payments to acquire capital assets	(59,299)	(13,615)
	(293,062)	(91,740)
Effect of exchange rate changes on cash and equivalents	(452)	-
Increase in cash and cash equivalents	4,582,528	-
Cash and cash equivalents - Beginning of year	-	-
Cash and cash equivalents - End of year	4,582,528	-

(Expressed in Canadian dollars, except where indicated)

1 Nature of Operations

Bearing Resources Ltd. (the "Company" or "Bearing") is an exploration stage company that is engaged directly in the exploration and development of mineral properties in Mexico and Canada. The Company's registered office is at Suite 2600, 595 Burrard St, Vancouver, British Columbia, Canada.

Bearing was incorporated on January 13, 2011 as 0900353 B.C. LTD (subsequently renamed on January 31, 2011 to Bearing). On March 25, 2011, Levon Resources Ltd. ("Levon") acquired Valley High Ventures Ltd. ("Valley High"), the predecessor corporation to the Company (note 2), by way of a court-approved plan of arrangement (the "Arrangement"). On June 10, 2011, Bearing began trading on the TSX Venture Exchange.

2 Plan of Arrangement

Under the Arrangement, each Valley High share was exchanged for one Levon share and 0.125 of a Bearing share. Valley High's interest in the October Dome, Mt. Polley and Flume properties, and other staked Yukon properties and its early exploration prospect, Carreton, in Mexico (collectively, the "Bearing Properties") were transferred to Bearing, together with $1.8 million in cash. Bearing also provided Levon with an indemnification in respect of any tax payable on the disposition of Bearing, in the event that the fair market value of the assets transfers exceeds the tax pools available to Valley High upon acquisition.

The formation of Bearing was the result of the transfer of assets between entities under common control: accordingly, the transaction is excluded from the scope of IFRS 3 (R), Business Combinations. These financial statements have been presented using predecessor accounting with balance sheet amounts based on the amounts recorded by Valley High up to March 25, 2011.

The carrying value of assets transferred and acquired pursued to the Plan of Arrangement on March 25, 2011 consisted of the following:

Cash	1,800,000
Property, Plant & Equipment	12,846
Other Deposits and Prepaid	69,392
Mineral Properties	758,237
	2,640,475

(Expressed in Canadian dollars, except where indicated)

3 Financial Presentation

Bearing was incorporated on January 13, 2011 and began operations on March 25, 2011. Financial statement information prior to this date reflects the financial position, statements of loss, comprehensive loss and deficit and cash flows of the related Bearing Business of Valley High. This information has previously been reported as the Bearing Business. The statements of loss, comprehensive loss and deficit for the year ended October 31, 2011 include an allocation of Valley High's general and administrative expenses incurred up to March 25, 2011 and expenses incurred directly by Bearing for the subsequent period. Mineral property costs for the year ended October 31, 2011 include the direct exploration expenses deferred to the Bearing properties.

The allocation of general and administrative expense was calculated on the basis of the ratio of costs deferred on the Bearing Properties in each period presented as compared to the costs incurred on all mineral properties in each period. Management cautions readers of these financial statements, that the allocation of expenses does not necessarily reflect future general and administrative expenses.

The opening deficit of Bearing at November 1, 2009 has been calculated by applying the same allocation principles outlined above to the cumulative transactions relating to the Projects and includes an allocation of Valley High's general and administrative expenses. The allocation of these general and administrative costs was calculated in the same way as described above.

4 Change in accounting policy

Exploration and Evaluation Expenditures:
During the period ended July 31, 2011, the Company retrospectively changed its accounting policy for exploration and evaluation expenditures to align itself with policies applied by other companies in the mining and exploration industry. The Company now only capitalizes exploration expenditures when a known resource exists and management believes that the costs are economically recoverable. Property acquisition costs are capitalized.

The impact of this change on the previously reported October 31, 2010 and November 1, 2009 financial statements is as follows:

October 31, 2010	Reported $	Adjustment $	Restated $
Mineral property interest	2,366,111	(1,655,099)	711,012
Loss for the year	722,763	(3,758)	719,005
Deficit-Opening	1,053,038	1,658,857	2,711,895

November 1, 2009	Reported $	Adjustment $	Restated $
Mineral property interest	2,291,744	(1,658,857)	632,887
Deficit	1,053,038	1,658,857	2,711,895

5 Significant accounting policies

Basis of Presentation
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as Bearing was incorporated on January 13, 2011. These financial statements include all adjustments, of a normal recurring nature, considered necessary by management to fairly present the financial position, results of operations and cash flows of the Bearing Business up to March 25, 2011 and the Company thereafter.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 21, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS after this date could result in changes to the consolidated financial statements for the year ended October 31, 2011.

Consolidation
These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries; BRZ Mex Holdings Ltd; Servicios Foundland SA de CV and Minera BRG SA de CV. All intercompany transactions, balances, income and expenses have been eliminated on consolidation.

Estimates, risks and uncertainties
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ from those estimates.

In applying its accounting policy for costs incurred during the development phase the Company must determine whether the criteria for capitalization have been met. The most difficult and subjective estimate is whether a project will generate probable future economic benefits. Management considers all appropriate facts and circumstances in making this assessment including historical experience, expected market demand, costs and future economic conditions.

Realization of the Company's assets and liabilities is subject to risks and uncertainties, including reserve and resource estimation, future copper and other base and precious metal prices, estimated costs of future production, changes in government legislation and regulations, estimated deferred income taxes, the availability of financing, and various operational factors.

Foreign currency translation
The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which the subsidiary operates. The consolidated financial statements are presented in Canadian dollars, which is Bearing's functional currency. The Company's Mexican subsidiaries have a Mexican peso functional currency. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in other than an entity's functional currency are recorded at exchange rates prevailing on the dates of the transactions.

The financial statements of subsidiaries that have a functional currency other than the Canadian dollar are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period. All resulting changes are recognized in other comprehensive income as foreign currency translation adjustments.

5 Significant accounting policies (continued)

Property, plant and equipment
Property, plant and equipment including office furniture and fixtures are recorded at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets. Office furniture and fixtures are depreciated on a declining balance basis at a rate of 45%.

Exploration and Evaluation Costs
Exploration and evaluation costs include costs to acquire the rights to explore, geological studies, exploratory drilling and sampling and directly attributable administrative costs.

Exploration and evaluation costs relating to non-specific projects or properties or those incurred before the Company has obtained legal rights to explore an area are expensed in the period incurred. Property acquisition costs are capitalized.

Exploration and evaluation costs are recognized as mineral property interests when management has established that a resource exists and that the costs can be economically recovered.

Once the technical feasibility and commercial viability of the extraction of resources from a particular mineral property has been determined, exploration and evaluation assets are reclassified to mine properties within property, plant and equipment.

Proceeds from the sale of properties or cash proceeds received from option payments are recorded as a reduction of the related mineral property interest.

Asset impairment
The Company performs impairment tests on mineral properties, when events or circumstances occur which indicate the assets may not be recoverable. Impairment assessments are carried out on project by project basis with each project representing a single cash generating unit.

When impairment indicators are identified, an impairment loss is recognized for any amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Income taxes
Deferred income tax is recognized using the liability method on temporary differences arising between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognized only to the extent that it is probable that future profit will be available against which such assets can be utilized.

5 Significant accounting policies (continued)

Flow-through common shares

Under the Canadian Income Tax Act, an enterprise may issue securities referred to as flow-through shares. These instruments permit the Company to renounce (i.e. transfer) the tax deductions associated with an equal value of qualifying resource expenditures to the investor.

The proceeds from the issuance of flow-through shares are allocated between the offering of the flow-through shares and the premium paid for the implied tax benefit received by the investors as a result of acquiring the flow-through shares. The calculated tax benefit is recognized as a liability until the Company incurs the expenditures, at which point the liability is reversed and recorded as other income on the statement of loss.

Valuation of equity units

The Company has adopted a pro-rata basis method for the measurement of shares and warrants issued as units in financing arrangements. The pro-rata basis method requires that gross proceeds and related share issuance costs be allocated to the common shares and the warrants based on the relative fair value of each component.

The fair value of the common shares is based on the closing price on the closing date of the transaction and the fair value of the warrants is determined on the closing date of the transaction using the Black-Scholes option pricing model. The fair value attributed to the warrants is recorded as contributed surplus. If the warrants are exercised, the value attributable to the warrants is transferred to share capital.

Financial Instruments

a) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, cash on hand and other short-term investments with initial maturities of less than three months. Cash and cash equivalents are classified as loans and receivables.

b) Accounts receivable

Accounts receivable are classified as “loans and receivables” and are recorded at amortized cost using the effective interest rate method, which upon their initial measurement is equal to their fair value. Subsequent measurement of receivables is at amortized cost. Reclamation bonds and deposits are included as loans and receivables.

c) Accounts payable

Accounts payable and accrued liabilities are classified as “other financial liabilities” and are measured at amortized cost using the effective interest rate method.

5 Significant accounting policies (continued)

Loss per share
Loss per share is calculated using the weighted average number of shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method whereby all in the money options and warrants are assumed to have been exercised at the beginning of the year and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period. In periods of loss basic and diluted loss per share are the same, as the effect of the exercise of outstanding options and warrants is anti-dilutive.

Future accounting pronouncements
Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

(i) IFRS 9, *Financial Instruments,* was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement,* except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

(ii) IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces *SIC-12, Consolidation—Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements.*

(iii) IFRS 11, *Joint Arrangements*, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers.*

(Expressed in Canadian dollars, except where indicated)

5 Significant accounting policies (continued)

Future accounting pronouncements (continued)

(iv) IFRS 12, *Disclosure of Interests in Other Entities*, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

(v) IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

(vi) There have been amendments to existing standards, including IAS 27, *Separate Financial Statements* (IAS 27), and IAS 28, *Investments in Associates and Joint Ventures* (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

(vii) IAS 1, *Presentation of Financial Statements*, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

6 Cash and cash equivalents

	October 31,2011 $	October 31,2010 $	November 1,2009 $
Flow-through funds	743,248	-	-
Other	3,839,280	-	-
	4,582,528	-	-

In July 2011, the Company completed a flow-through financing for gross proceeds of $2,500,000 (note 9). These funds are to be spent on qualifying exploration activities within Canada and therefore are not available to fund corporate expenses or exploration activities outside Canada.

7 Exploration costs

Exploration costs are comprised of exploration and evaluation expenses on the following properties:

Zymo copper-gold property ("Zymo"), Canada
In June 2011, the Company entered into an option agreement with Eastfield Resources Ltd. ("Eastfield") to earn up to a 65% interest in the 12,113 hectare Zymo property, located 45 kilometres west of the town of Smithers, British Columbia.

To earn an initial 51% interest Bearing must make cash payments totalling $500,000 ($100,000 paid), issue 500,000 shares (100,000 issued) and complete exploration expenditures totalling $8 million ($1.7 million spent) over a five year period. Bearing may earn an additional 9% interest by completing a feasibility study and maintaining minimum annual expenditures of $500,000. Should Bearing make the decision to put the property into production, Bearing will have an option to earn an additional 5% interest by paying $10 million, issuing 2 million Bearing shares and arranging project financing for the mine development.

Parrandera, Durango, Mexico:
In June 2011, the Company optioned the Parrandera gold-copper-zinc prospects through agreements with local Mexican vendors. The Company has applied for additional claims (~26,000 hectares) in its own name that are contiguous with optioned properties. The Parrandera project is located in the Mapimi region of eastern Durango, Mexico.

The Parrandera options include a contiguous 49 hectare claim group and a 302 hectare claim group. Bearing has the right to acquire a 100% interest in both the optioned properties. The 49 hectares claim group can be purchased for a total of $250,000 ($25,000 paid) over two years, subject to a 1.5% NSR (0.5% purchasable for $100,000). The 302 hectare claim group can be purchased for a total of $560,000 ($40,000 paid) over three years subject to a 1.5% NSR (0.5% purchasable for $500,000).

October Dome gold property, Canada
The October Dome properties comprise approximately 2,542 hectares located 7 km northwest of Likely, British Columbia, Canada. 1,090 hectares are subject to a 2% NSR, with each 0.5% purchasable for $500,000. In addition, the Company has a 100% interest, subject to a 1.5% NSR royalty, in the Dome claims. The October Dome property was transferred under the Plan of Arrangement (note 2).

Flume, Yukon, Canada
On June 24 2009, Valley High entered into an option agreement with Phelps Dodge Corporation of Canada, Limited ("PDC"), a wholly owned subsidiary of Freeport-McMoRan Copper & Gold Inc., to acquire a 100% interest in the Flume property located in Yukon Territory, Canada. Flume comprises 191 mineral claims totalling approximately 3,900 hectares. This agreement was transferred to Bearing under the terms of the Plan of Arrangement (note 2).

Bearing may earn a 100% interest in the Flume property by making cash payments totalling $225,000 ($45,000 paid; 2012: $30,000; 2013: $150,000) and by spending $500,000 (incurred) on exploration over four years. PDC also retains the right to share in the proceeds derived from the sale or option of the property to a third party in the amount of 50% of proceeds in excess of the payment required to be made by the Company during the first year and 25% of the excess proceeds in any subsequent year. PDC also retains a 2% NSR royalty, of which one half can be purchased by Bearing for $1,000,000.

7 Exploration costs (continued)

On January 26 2010, Valley High signed an option agreement with Ryan Gold Corp. ("RGC") (formerly Valdez Gold Inc.), whereby RGC has been granted the right to earn a potential 75% interest in the Flume property. Under the terms of the agreement, RGC has the right to earn a 51% interest in the Flume property by incurring $1,500,000 in qualified expenditures over a four year period (with a minimum commitment of $200,000 which has already been incurred) and making cash payments to Valley High of $25,000 on signing (paid), $25,000 after the first nine months (paid), $50,000 on June 24, 2011 (paid), $75,000 on June 24, 2012 and $325,000 on June 24, 2013. If the earn-in is achieved, RGC has a further option to increase its share to 65% by spending an additional $5,000,000 and making further staged cash payments totalling $500,000. RGC may further increase its share to 75% by completing a feasibility study and making a $1,000,000 payment. This agreement was transferred to Bearing under the terms of the Plan of Arrangement (note 2).

Other Yukon Gold Properties, Canada

In the Yukon, the Company has staked the VF (2,900 hectares), Jay (5,350 hectares), VM (2,160 hectares), Big (2,740 hectares) and VBA (1,660 hectares) claim blocks.

In August 2011, the Company partitioned 2,240 hectares (referred to as the "Jay East" property) of the Jay claim block and entered into an option agreement with Precipitate Gold Corporation ("Precipitate") whereby Precipitate can earn up to a 70% interest in the Jay East Property ("Jay East"). To earn an initial 51% interest Precipitate must make cash payments totalling $480,000 ($5,000 paid) and complete exploration expenditures totalling $2,000,000 over a five year period.

Precipitate may earn an additional 19% interest by completing a feasibility study and making additional cash payments totalling $300,000. Jay East is located immediately to the east and south of Precipitate's REEF property.

In 2011, the Company also acquired a 100% interest in the HY claims located in the Watson Lake Mining District of the Yukon from Freeport-McMoran of Canada Limited ("Freeport"). The HY claims are situated within the Upper Hyland Gold Belt which is the south-eastern extension of the regional Tintina Gold Belt, and comprises 48 claims totalling 1,000 hectares and is surrounded by the Company's Jay claims. Under the terms of the purchase agreement with Freeport, the Company acquired a 100% interest in the claims through a one-time payment of $50,000. The claims are subject to a 2% NSR. In addition, Freeport is entitled to receive up to 30% of any proceeds over above the initial purchase consideration of $50,000 from disposition if the property is sold within the first year.

Mt. Polley copper-gold properties, Canada

The Mt. Polley properties comprise approximately 7,458 hectares located adjacent to Imperial Metals Corporation's ("Imperial") producing Mt. Polley open-pit copper gold mine, which is northeast of Williams Lake, British Columbia, Canada. The Company has a 90% interest in a portion of the Lloyd claims (including the Boundary Zone) and a 100% interest in the remaining Lloyd claims, subject to a 1.5% NSR royalty. The Company also has a 100% interest in the Nordik, Buc, and Calm claims subject to a 2% NSR royalty. The NSR royalty with the exception of the Buc claims can be purchased for $500,000 for each one-half percent.

(Expressed in Canadian dollars, except where indicated)

7 Exploration costs (continued)

Imperial acquired a 100% interest in one complete mineral cell and four partial cells that are adjacent to Imperial's Boundary Zone. Imperial exercised its option by paying $300,000. The claims sold to Imperial are subject to a royalty for material that is milled. The royalty is $2.50 per tonne for the first 400,000 tonnes of material milled and $1.25 per tonne for all tonnes milled in excess of 400,000 tonnes. The royalty in excess of 400,000 tonnes can be reduced to $0.62 per tonne by Imperial making a payment of $1,000,000. The Company is entitled to 90% of the aforementioned royalties. The Mt. Polley properties were transferred under the Plan of Arrangement (note 2). The costs on Mt. Polley are included under the "Other" heading on the following table.

Mexico

The Company is also actively exploring in Mexico and holds the Carreton claims, in Durango.

	For the year ended October 31, 2011					
$	**Zymo**	**OctDome**	**Yukon**	**Mex**	**Other**	**Total**
Camp & accommodation	240,934	9,172	45,646	-	-	295,752
Drilling	906,724	-	-	-	-	906,724
General & administration	10,658	19,732	16,176	149,568	77,257	273,391
Geology & geochemistry	154,489	78,400	216,328	267,662	2,833	719,712
Geophysics	220,345	-	113,869	-	-	334,214
Write-downs (recoveries)	-	-	4,486	-	-	4,486
	1,533,150	107,304	396,505	417,230	80,090	2,534,279

	For the year ended October 31, 2010					
$	**Zymo**	**OctDome**	**Yukon**	**Mex**	**Other**	**Total**
Camp & accommodation	-	-	-	-	-	-
Drilling	-	-	-	-	-	-
General & administration	-	17	-	81,454	70,293	151,764
Geology & geochemistry	-	43,266	-	235,595	37,491	316,352
Geophysics	-	28,644	-	-	-	28,644
Write-downs (recoveries)	-	-	(25,000)	-	-	(25,000)
	-	71,927	(25,000)	317,049	107,784	471,760

(Expressed in Canadian dollars, except where indicated)

8 Mineral property interests

$	Zymo	OctDome	Mt Polley	Mex	Other	Total
November 1, 2009	-	502,117	130,770	-	-	632,887
Acquisition costs	-	52,940	66	-	140,119	193,125
Property payments received	-	-	(90,000)	-	(25,000)	(115,000)
October 31, 2010	-	555,057	40,836	-	115,119	711,012
Acquisition costs	180,000	-	-	79,984	132,255	392,239
Write-downs	-	-	-	-	(23,182)	(23,182)
Property payments received	-	-	-	-	(31,250)	(31,250)
October 31, 2011	180,000	555,057	40,836	79,984	192,943	1,048,819

Under the Company's accounting policy all acquisition costs are capitalized until the property is placed into production or disposed of (note 4). Refer to note 7 for a description of the mineral property interests.

9 Common shares

The Company has an unlimited number of authorized common shares without par value.

As part of the Plan of Arrangement (note 2) the Company issued 8,975,362 common shares to existing shareholders of Valley High.

In July 2011, the Company closed a $6 million non-brokered private placement consisting of 8,333,334 units and 5,952,380 flow-through common shares. Each unit was comprised of one common share and one half of a common share purchase warrant. The units and flow-through shares were both priced at $0.42. Each whole warrant is exercisable for one common share of the Company until July 8, 2012 at an exercise price of $0.60.

Under the terms of the flow-through financing the Company is under the obligation to renounce tax losses on this financing and has recognized a premium liability that will be released when the qualifying exploration expenditure is incurred. The flow-through financing was done in conjunction with a unit offering, that comprised a common share and half-warrant.

Under the terms of the Zymo option agreement (note 7) the Company issued 100,000 common shares (fair value $80,000) in July 2011.

10 Share stock options and warrants

Options

The Company has a stock option plan that permits the grant of share purchase options up to 10% of the issued and outstanding common shares of the Company to directors, officers, key employees and consultants. Terms and pricing of options are determined in accordance with plan.

(Expressed in Canadian dollars, except where indicated)

10 Share stock options and warrants (continued)

	2011		2010	
	Number of shares	**Weighted average exercise price $**	**Number of shares**	**Weighted average exercise price $**
Outstanding - October 31	-	-	-	-
Granted	2,090,000	0.72	-	-
Cancelled	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding - October 31	2,090,000	0.72	-	-

As of October 31, 2011, the following stock options were outstanding:

Number of options Outstanding	**Number of options vested and exercisable**	**Exercise price $**	**Expiry Date**
2,090,000	696,668	0.72	July 12, 2016

The majority of stock options vest over a two year period.

Option and warrant pricing models require the input of highly subjective assumptions including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

For the year ended October 31, 2011 total share-based compensation expense was $406,517 (2010: nil).

Warrants

	2011		2010	
	Number of shares	**Weighted average exercise price $**	**Number of shares**	**Weighted average exercise price $**
Outstanding – beginning of year	-	-	-	-
Granted	4,166,663	0.60	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding – end of year	**4,166,663**	**0.60**	-	-

At October 31, 2011, the following warrants were outstanding:

Number of Shares outstanding	**Exercise price $**	**Expiry Date**
4,166,663	0.60	July 8, 2012

(Expressed in Canadian dollars, except where indicated)

10 Share stock options and warrants (continued)

The following assumptions were used in the Black-Scholes pricing model to calculate the compensation expense:

	Warrants	Options
Risk-free interest rate	1.02%	1.43% to 1.92%
Expected life	0.67 years	2.5 to 3.5 years
Expected volatility	100%	100%
Expected dividend	nil	nil

11 Related party transactions

The Company considers the Officers of the Company to be key management personnel. This table excludes any costs associated with key management personnel that related to Bearing Business prior to March 25, 2011.

	2011
Short-term employee benefits	338,416
Share-based payments	135,259
Total key management personnel	473,675

12 Geographic segmented information

The Company operates in a single operating segment, mineral exploration. The following table illustrates the geographic location of the Company's assets.

$	Mexico	Canada	Total
October 31, 2011			
Loss for the year	342,317	3,206,903	3,549,220
Non-current assets	121,989	1,015,783	1,137,772
Total assets	140,838	5,800,666	5,941,504
Total liabilities	31,678	393,455	425,133
October 31, 2010			
Loss for the year	299,768	419,237	719,005
Non-current assets	-	738,905	738,905
Total assets	-	738,905	738,905
Total liabilities	-	-	-
November 1, 2009			
Non-current assets	-	647,165	647,165
Total assets	-	647,165	647,165
Total liabilities	-	-	-

(Expressed in Canadian dollars, except where indicated)

13 Income taxes

	2011 $	%
Earnings (loss) before tax	3,713,412	100
Income taxes at statutory rates	984,054	27
Difference in foreign tax rates	15,697	-
Non-deductible expenses	(199,575)	(3)
Tax benefits to be renounced	(439,188)	(12)
Effect of change in tax rates	-	-
Previously unrecognized tax benefits	(360,988)	(12)
Income tax recovery	-	-

The significant components of the Company's unrecognized deferred income tax asset are as follows:

	2011 $
Mineral property interest	330,936
Operating losses carried forward	267,199
Share issuance costs	12,962
Deferred income tax asset	-
Unrecognized deferred tax asset	**611,097**

The Company has incurred non-capital losses that may be carried forward and used to reduce taxable income of future years in the countries indicated. These losses will expire as follows:

$	Canada	Mexico	Total
Expiry Date			
2020	-	56,797	56,797
2021	-	429,253	429,253
Thereafter	458,054	-	458,054
Total	**458,054**	**486,050**	**944,104**

14 Financial instruments

Financial instruments include cash and any contracts that give rise to a financial asset to one party and a financial liability or equity instrument to another party. Financial instruments disclosures require disclosures about the classification and fair value of financial instruments, including their classification within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

At October 31, 2011, the Company does not have any financial instruments which are measured at fair value on a recurring basis.

14 Financial instruments (continued)

Fair Values
As at October 31, 2011, the Company's carrying values of cash and cash equivalents, accounts receivable, and accounts payable, reclamation bonds and deposits and accrued liabilities are designated as loans and receivables and approximate their fair values due to their short term to maturity.

The Company has no financial assets or liabilities classified as held-for-trading or available-for-sale.

Credit Risk
Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable and prepaid expenses. The Company deposits cash and cash equivalents with high credit quality financial institutions as determined by rating agencies. Accounts receivable are primarily from government institutions.

Interest Rate Risk
The Company is exposed to interest rate risk on its cash and cash equivalents held as at October 31, 2011. A 100 basis point (1%) increase or decrease in the interest rate in 2011 would have resulted in approximately a $22,913 change in the Company’s reported loss for the year ended October 31, 2011 based on its average cash holdings during the fiscal year.

Liquidity Risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Company is reliant upon equity issuances as its sole source of cash. The Company manages liquidity risk by maintaining an adequate level of cash and cash equivalents to meet its ongoing obligations. The Company continuously reviews its actual expenditures and forecast cash flows and matches the maturity dates of its cash equivalents to capital and operating needs.

Currency Risk
As at October 31, 2011 the Company incurs expenses in Canadian dollars, Mexican pesos and United States dollars and therefore has exposure to United States dollars and Mexican pesos as it raises all of its equity in Canadian dollars.

Based on the net exposure as at October 31, 2011, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the United States dollar and Mexican peso would result in an increase / decrease of $10,916 in the Company’s net income.

15 Commitments and Contingencies

As part of the Arrangement, Bearing agreed to indemnify Levon from any tax liabilities associated with the transfer of the assets to Bearing from Valley High. At this time, the Company does not believe that any significant liabilities will arise as a result of this indemnification. This liability, if any, will not be known until all tax returns are completed.

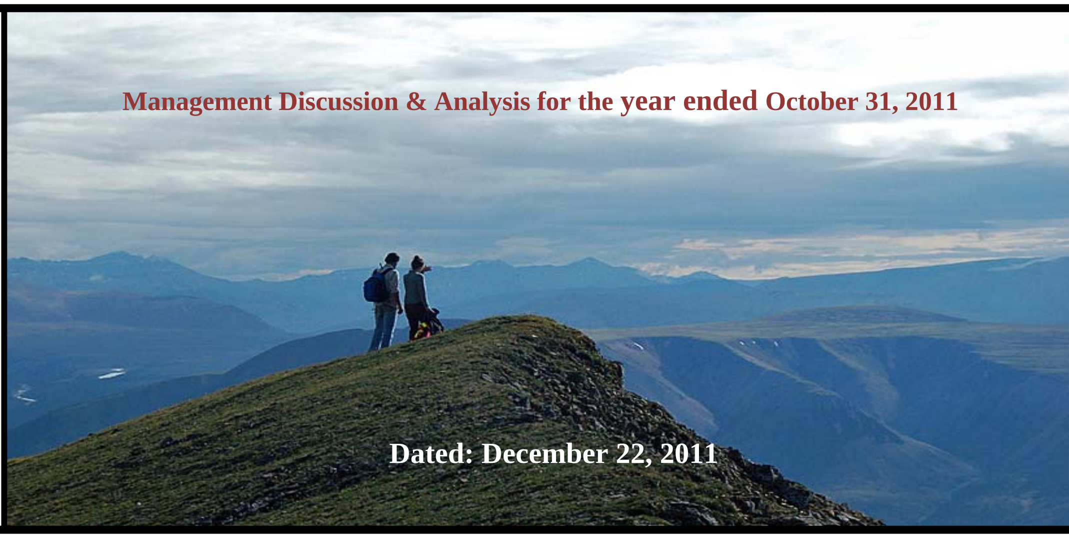
In addition, the Company has a number of commitments in respect to its exploration properties (refer to note 7).

16 Subsequent events

On December 19, 2011, the Company announced a non-brokered private placement of up to 428,572 units. Each unit will be comprised of one common share of the Company and one half of a common share purchase warrant. The units will be offered at a price of $0.42 per unit for aggregate gross proceeds of up to $180,000. Each whole warrant will be exercisable for one common share of the Company for a period of 12 months from the closing date of the offering at an exercise price of $0.60. The Offering is subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the TSX Venture Exchange and the securities regulatory authorities.

The proceeds from the above financing will be used to fund the Company's planned exploration programs in the Yukon, British Columbia, Mexico and for general working capital. The Company also granted an aggregate of 220,000 incentive stock options at an exercise price of $0.38

BEARING RESOURCES LTD.



The following information is prepared in accordance with International Financial Reporting Standards ("IFRS") in Canadian dollars, unless otherwise noted. This Management Discussion & Analysis ("MD&A") should be read in conjunction with the Bearing Resources audited financial statements for the years ended October 31, 2011, and 2010.

The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with Canadian GAAP (which requires IFRS for public companies) and is denominated in Canadian dollars, unless otherwise noted.

This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of exploration or other risk factors beyond its control. Actual results may differ materially from the expected results.

Table of Contents:

The results up to March 25, 2011 have been presented in this MD&A under the continuity of interest basis of accounting with balance sheet amounts based on the amounts recorded by Valley High Ventures Ltd. ("Valley High"). In addition, the information contained in the statement of income and deficit has been derived from certain allocations from Valley High's financial statements. Management cautions readers of this MD&A, that the allocation of expenses does not necessarily reflect the future financial performance of the Company.

1 STRATEGY AND PROFILE

1.1 Strategy

Bearing Resources Ltd. ("Bearing" or the "Company") is a Canadian based company focused on exploration for precious and base metals in North America. The Company's strategy is to identify, explore and develop mineral deposits with a magnitude of size and grade to be of interest to mid-sized and larger mining companies. The Company will carry out all aspects of exploration and development from grass roots to feasibility stage. Projects will be acquired through both staking and acquisition. From time to time, the Company may option a project to an external exploration company in an effort to focus both financial and human capital on higher priority projects.

1.2 Profile

Bearing was incorporated on January 13, 2011 as 0900353 B.C. LTD (subsequently renamed on January 31, 2011 to Bearing) as a wholly owned subsidiary of Valley High Ventures Ltd. ("Valley High"). On March 25, 2011, Levon Resources Ltd. ("Levon") acquired Valley High, the predecessor corporation to the Company (refer to section 7), by way of a court-approved plan of arrangement (the "Arrangement"), at which time Bearing began operating as a standalone entity. On June 10, 2011, Bearing began trading on the TSX Venture Exchange.

Zymo Copper-Gold Project, BC, Canada

The Company has the option to earn up to a 65% interest in the 12,113 hectare Zymo copper-gold project ("Zymo"), located 50 kilometres west of the town of Smithers, British Columbia, Canada. The Zymo property has been explored by a number of companies since its discovery in 1997. Work to date has outlined a nine by three kilometre open ended target defined by combined copper in soil and induced polarization ("IP") chargeability anomalies, within which four distinct porphyry targets have been identified.

The Hobbes Zone is the most advanced target identified to date and has been tested with sixteen drill holes over a distance of 720 by 350 metres, in which all drill holes intersected copper/gold mineralization. The best hole drilled to date was ZY-08-9 that returned 72.0 metres (core length) of 0.72% copper and 0.54 g/t gold within a longer interval that returned 159 metres grading 0.44% copper and 0.32 g/t gold.

Under the terms of the Zymo option agreement, Bearing may earn an initial 51% interest by making cash payments of $500,000 ($100,000 paid) and issuing 500,000 shares (100,000 issued) and completing exploration expenditures totaling $8 million over a five year period (refer section 2.2). Bearing may earn an additional 9% interest by completing a feasibility study and maintaining minimum annual expenditures of $500,000. Should Bearing make the decision to put the property into production, Bearing will have an option to earn an additional 5% interest by paying $10 million, issuing 2 million shares and arranging project financing for the mine development.

Parrandera, Durango, Mexico

In June 2011, the Company optioned the Parrandera gold-copper-zinc prospect through agreements with local Mexican vendors. The Company has also staked claims (~26,000 hectares) in its own name that are contiguous with these claim groups and is awaiting final approvals. The Parrandera project is located in the Mapimi region of eastern Durango, Mexico.

The Parrandera options include a 49 hectare claim group and 302 hectare claim group. The 49 hectares claim group can be purchased for a total of $250,000 ($25,000 paid) over two years, subject to a 1.5% NSR (0.5% purchasable for $100,000). The 302 hectare claim group can be purchased for a total of $560,000 ($40,000 paid) paid over three years subject to a 1.5% NSR (0.5% purchasable for $500,000). Bearing has the right to acquire a 100% interest in both the optioned properties.

October Dome Gold Property, BC, Canada

The 100% owned October Dome gold property, is located in the Quesnel Trough in central British Columbia, Canada near the town of Likely. The October Dome claims are subject to Net Smelter Royalties ("NSR") of between 1.5% and 2%. The October Dome property is contiguous with both Imperial Metals Corporation's ("Imperial") Mt. Polley porphyry copper gold mine property 10 km to the south and Barkerville Gold Mines Ltd.'s QR skarn gold mine property 7 km to the northwest.

In June 2011, the Company completed a soil sampling program in order to expand the existing soil grid to the southeast. This sampling extended the existing gold and arsenic soil anomalies by a further kilometre to the southeast. In October 2011, the Company received a multi-year exploration permit that will allow extension of the existing IP grid to the southeast to cover the expanded soil anomaly as well as trenching and diamond drilling.

Flume Gold Property, Yukon, Canada

The Flume property is located 60 km southwest of Dawson City, Yukon and 30 kilometres northwest of Kinross Gold Corporation's White Gold discovery and comprises 191 mineral claims totalling approximately 3,680 hectares.

In June 2009, Valley High entered into an option agreement with Phelps Dodge Corporation of Canada Limited ("PDC"), to acquire a 100% interest in the Flume property subject to an NSR. In January 2010, the Flume property was optioned to Ryan Gold Corp ("RGC") (formerly Valdez Gold Inc.), whereby RGC has been granted the right to earn up to a 75% interest in the property. Under the terms of the agreement, RGC has the right to earn a 51% interest in the Flume property by incurring $1.5 million in qualified expenditures over a four year period and making cash payments of $500,000 ($150,000 paid). If the earn-in is achieved, RGC would further have the option to increase its share to 65% by spending an additional $5 million and making further staged cash payments totalling $500,000 by the end of year seven. RGC would then have the option of increasing its share to 75% by the end of year nine by completing a feasibility study and making a cash payment of $1 million.

RGC has completed a soil and rock geochemical survey on the property.

Yukon Properties, Canada

In the Yukon, the Company owns the VF (2,900 hectares), Big (2,740 hectares), JAY(5,350 hectares) and VM (2,160 hectares) properties located in the Upper Hyland River Gold Belt where Northern Tiger Resources Inc. has its 3Ace gold discovery in the Watson Lake Mining District. Bearing also holds the 100% owned BIG gold property located in the Clear Creek gold placer area in the Dawson Mining District, Yukon. In July 2011, the Company staked the VBA claims (1,660 hectares) after completion of field reconnaissance.

In August 2011, the Company partitioned 2,240 hectares (referred to as the "Jay East" property) of the JAY claim block and entered into an option agreement with Precipitate Gold Corporation ("Precipitate") whereby Precipitate can earn up to a 70% interest in the Jay East. To earn an initial 51% interest Precipitate must make cash payments totalling $480,000 ($5,000 paid) and complete exploration expenditures totalling $2 million over a five year period. Precipitate may earn an additional 19% interest by completing a feasibility study and making additional cash payments totalling $300,000. Jay East is located immediately to the east and south of Precipitate's REEF property.

During 2011, the Company acquired a 100% interest in the HY claims located in the Watson Lake Mining District of the Yukon from Freeport-McMoran of Canada Limited ("Freeport"). The HY claims are situated within the Upper Hyland Gold Belt (and are surrounded by the Company's Jay claims), which is the south-eastern extension of the regional Tintina Gold Belt, and comprises 48 claims totalling 1,000 hectares. Under the terms of the purchase agreement with Freeport, the Company acquired a 100% interest in the claims through a one-time payment of $50,000. The claims are subject to a 2% NSR. In addition, Freeport is entitled to receive up to 30% of any proceeds over above the initial purchase consideration of $50,000 from disposition if the property is sold within the first year.

Mt Polley Properties, BC, Canada

The Mt. Polley properties comprise approximately 7,458 hectares located adjacent to Imperial's producing Mt. Polley open-pit copper gold mine, which is approximately 100 km northeast of Williams Lake, British Columbia, Canada. The claims are subject to a NSR of up to 2%.

The Mt. Polley properties had previously included an additional area comprising one complete mineral cell and four partial cells that are adjacent to Imperial's Boundary Zone. This area was sold to Imperial in 2010 and the Company has retained a royalty based on the material that is milled from this area. The royalty is $2.50 per tonne for the first 400,000 tonnes of material milled and the $1.25 per tonne for all tonnes milled in excess of 400,000 tonnes. The royalty per tonne in excess of 400,000 tonnes milled can be reduced to $0.62 per tonne by Imperial making a payment of $1 million. The Company is entitled to 90% of the royalty payments. The Company expects that the production royalty will eventually be realized from this claim block.

Other Mexican Exploration

Bearing has also established a Mexican exploration team that is continually evaluating prospects in Mexico. In Mexico, the Company is awaiting final approvals on its application for title on the Carreton property which is located in central Durango State of Mexico in the municipality of San Pedro El Gallo and comprises roughly 8,500 hectares.

1.4 Key Personnel and Competencies

The Board of Directors is comprised of four Independent and three Executive Directors. The Board is chaired by David Watkins, an Independent Director with over 42 years in the mining industry. The Board has extensive geological experience, as well as financial and corporate development expertise. Geoff Chater is the President and CEO of the Company and has over 22 years of experience in the mining industry. He is ably supported by Robert Cameron, Vice President Business Development, who has over 30 years of experience in the mining industry.

2 MILESTONES & PROJECTS UPDATE

2.1 Milestones / Highlights

- Appointment of Manager Corporate Relations and private placement (Dec 2011)
- HY-JAY property returns high grade gold (Dec 2011)
- Assay results from Zymo incl. 126m 0.54% Cu equivalent (Dec 2011)
- Acquisition of HY claims (Nov 2011)
- Extension of gold anomaly at October Dome (Oct 2011)
- Completed 11 drill holes (3,454m) at Zymo (Oct 2011)
- Option agreement with Precipitate (Aug 2011)
- Closed $6 million private placement (Jul 2011)
- Entered into option agreement (and applied for other claims) on Parrandera in Durango, Mexico (Jun 2011)
- Acquisition of Zymo (Jun 2011)
- Commenced trading of the TSX Venture Exchange (Jun 2011)
- Plan of Arrangement closed and Bearing became a stand-alone Company (Mar 2011)
- Incorporation (Jan 2011)

2.2 Zymo Copper-Gold Property, British Columbia, Canada

In June 2011 (Q311), the Company entered into an option agreement with Eastfield Resources Ltd. ("Eastfield") to earn up to a 65% interest in the 12,113 hectare Zymo project, located 45 kilometres west of the town of Smithers, British Columbia. The following table summarizes the quarterly and year to date ("YTD") expenditures on the Zymo property. Exploration and evaluation costs are expensed while the acquisition costs are capitalized.

Table 1: Zymo Properties	**Quarter**				**Year**	
(Optioned Q311)	**Q111**	**Q211**	**Q311**	**Q411**	**2010**	**2011**
Camp & accommodation	-	-	34,172	206,762	-	240,934
Drilling	-	-	18,484	888,240	-	906,724
General & administration	-	-	52	10,606	-	10,658
Geology & geochemistry	-	-	37,894	116,595	-	154,489
Geophysics	-	-	19,291	201,054	-	220,345
Total exploration	**-**	**-**	**109,893**	**1,423,257**	**-**	**1,533,150**
Acquisition costs	-	-	180,000	-	-	180,000
Total exploration & acquisition	**-**	**-**	**289,894**	**1,423,257**	**-**	**1,713,151**

The above table does not include any allocation of time for our Vice President ("VP") Exploration (whose costs are included in general exploration costs) or our VP Business Development (whose costs are included under other expenses) who helped develop and manage the most recent exploration program. Camp cost includes the cost of establishing a camp near the property and other accommodation costs associated with our exploration program that commenced in July 2011.

Drilling costs include the cost of the 11 holes (3,454 metres) of helicopter assisted diamond drilling and associated analytical costs. Table 2 provides a summary of the drill results, for a full understanding reference should be made to the Company's news release dated December 8, 2011.

Table 2: Zymo Drilling 2011							
Hole *(total depth)*		**From (m)**	**To (m)**	**Interval (m)**	**Au (g/t)**	**Cu (%)**	**Cu eq. (%)[1]**
FM ZONE							
ZY11-18 *(345 metres)*		15.0	159	144	0.15	0.22	0.32
	incl.	15.0	93	78	0.20	0.26	0.40
ZY11-19 *(356.5 metres)*		3.0	356.5	353.5	0.08	0.11	0.16
	incl.	3.0	98	95	0.09	0.13	0.19
HOBBES ZONE							
ZY11-20 *(354 metres)*		3.0	174	171	0.24	0.29	0.46
	incl.	3.0	129	126	0.28	0.34	0.54
ZY11-21 *(342 metres)*		3.0	165	162	0.15	0.18	0.29
ZY11-22 *(347 metres)*		11.0	47	36	0.34	0.43	0.67
	and	191.0	281	90.0	0.08	0.16	0.22
ZY11-23 *(351 metres)*		6.0	315	309	0.13	0.21	0.30
	incl.	6.0	201	195	0.18	0.29	0.41
ZY11-26 *(348 metres)*		180	255	75.0	0.20	0.29	0.43
ZY11-27 *(366 metres)*		33	156	123	0.15	0.21	0.31
	and	183	255	72	0.11	0.19	0.27
ZY11-28 *(264 metres)*		123	228	105	0.14	0.20	0.27
	incl.	150	180	30	0.19	0.30	0.30
URC ZONE							
ZY11-24 *(354 metres)*		no sig. results					
ZY11-25 *(n/a)*		lost in overburden					

Geology and geochemistry costs include the costs associated with a soil stream sediment sampling and prospecting program. Geophysics includes the cost of approximately 30 kms of line cutting and IP surveying that commenced in Q311 and includes both a labour and helicopter component.

Acquisition costs include the payment of $100,000 and the fair value ($80,000) of 100,000 shares issued under the option agreement with Eastfield (refer section 1.2)

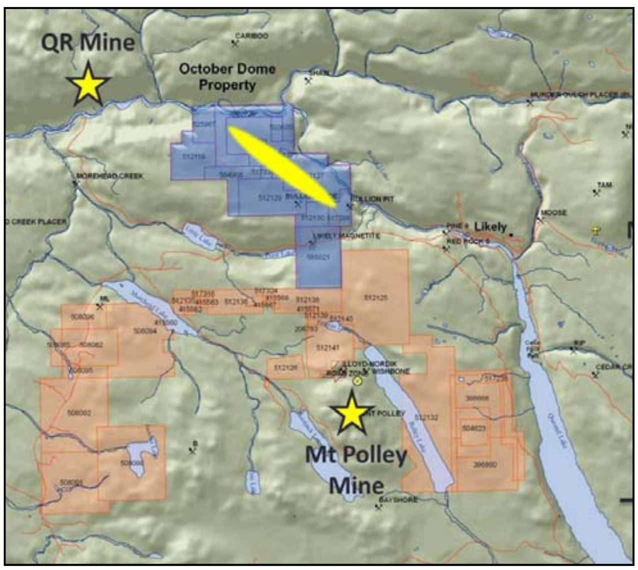
Under the terms of the option agreement, subject to certain conditions, Bearing was required to spend $2 million prior to December 31, 2011. Due to the weather conditions it was not possible to complete this expenditure and under the terms of the agreement both parties have agreed to extend this deadline to December 31, 2012. As a result, Bearing will be required to spend $2.5 million prior to December 31, 2012 to maintain the option in good standing. As of October 31, 2011, the Company had incurred approximately $1.7 million in qualifying expenditures towards earn-in.

[1] *Copper equivalent calculations do not take into account metallurgical recoveries and are based on in ground metal using metal prices of US$1,200/ounce for gold and US$2.50/pound for copper.*

2.3 October Dome Property British Columbia, Canada

The October Dome target is defined by a grid area of some 4.0 km by 1.1 km that has been surveyed by magnetic and IP surveys and soil geochemistry. The following table summarizes the quarterly and annual expenditures on the October Dome property. Exploration and evaluation costs are expensed while the acquisition costs are capitalized.

Table 3: October Dome Properties	**Quarterly**								**Year**	
	Q110	**Q210**	**Q310**	**Q410**	**Q111**	**Q211**	**Q311**	**Q411**	**2010**	**2011**
Camp & accommodation	-	-	-	-	-	-	5,925	3,247	-	9,172
Drilling	-	-	-	-	-	-	-	-	-	-
General & administration	17	-	-	-	-	2,393	2,930	14,409	17	19,732
Geology & geochemistry	43,266	-	-	-	27,644	14,599	32,402	3,755	43,266	78,400
Geophysics	28,644	-	-	-	-	-	-	-	28,644	-
Write-down (recoveries)	-	-	-	-	-	-	-	-	-	-
Total exploration	**71,927**	**-**	**-**	**-**	**27,644**	**16,992**	**41,257**	**21,411**	**71,927**	**107,304**
Acquisition costs	-	52,940	-	-	-	-	-	-	52,940	-
Total acquisition & exploration	**71,927**	**52,940**	**-**	**-**	**27,644**	**16,992**	**41,257**	**21,412**	**124,867**	**107,304**



The October Dome property was transferred as part of Arrangement Agreement (section 7). Any costs prior to March 25, 2011 were incurred by Valley High and reference should be made to the MD&A for Valley High for those periods.

General & administration in Q411 include the costs of obtaining a multi-year exploration permit, that will allow extension of the existing IP grid to the southeast as well as trenching and diamond drilling of the anomalous areas, and claim fees. Geology and geochemical cost in Q409 and Q110 were associated with a soil sampling program. In Q111, an additional soil sampling program was undertaken. In Q211, the Company undertook an updated NI43-101 report and costs of this report are included in Geology and geochemistry. In Q311, the Company undertook an additional soil sampling program that extended the known anomaly a further kilometer to southeast.

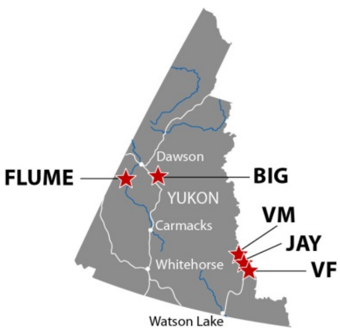
The soil sampling and geophysical programs in Q409 and Q110 outlined a coincident chargeability high and gold-arsenic and copper soil anomaly over a strike length of 2.5 kms. Soil sampling in 2011 extended this anomaly a further 1km to the southeast.

Acquisition costs in 2010 include the fair value of the final 80,000 Valley High shares that were issued under option agreements to acquire one of the associated claims.

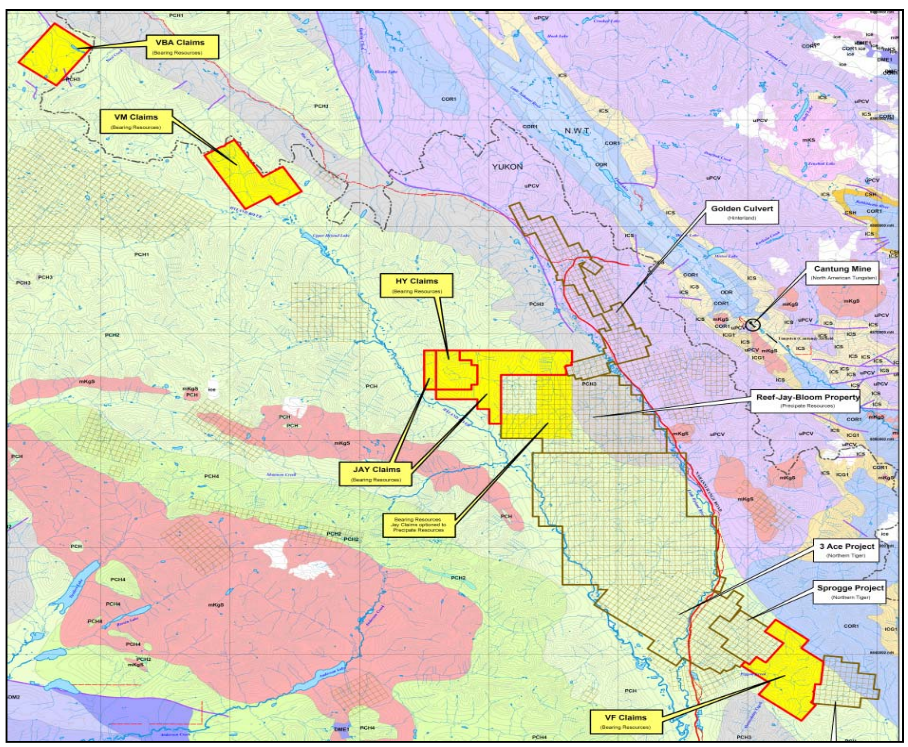
2.4 Yukon Properties

The following table summarizes the quarterly and annual expenditures on the Company's Yukon portfolio. Exploration and evaluation costs are expensed while the acquisition costs are capitalized.

Table 5: Yukon Properties	**Quarterly**								**Year**	
	Q110	**Q210**	**Q310**	**Q410**	**Q111**	**Q211**	**Q311**	**Q411**	**2010**	**2011**
Camp & accommodation	-	-	-	-	-	-	21,254	24,391	-	45,646
Drilling	-	-	-	-	-	-	-	-	-	-
General & administration	-	-	-	-	-	-	2,911	13,265	-	16,176
Geology & geochemistry	-	-	-	-	-	-	125,495	90,833	-	216,328
Geophysics	-	-	-	-	-	-	114,069	(201)	-	113,869
Write-down (Recoveries)	(10,000)	-	(15,000)	-	-	-	4,432	54	(25,000)	4,486
Total exploration	**-**	**-**	**-**	**-**	**-**	**-**	**268,162**	**128,343**	**-**	**396,505**
Acquisition costs	-	-	140,119	-	-	47,225	23,845	53,780	140,119	77,823
Total acquisition & evaluation	**(10,000)**	**-**	**125,119**	**-**	**-**	**47,225**	**244,980**	**182,123**	**115,119**	**474,328**



In June 2011, field crews were mobilized to the BIG, VF, JAY and the more recently acquired VBA properties. The camp and accommodation costs relate to the cost of establishing a base in the Yukon for the summer exploration program. Geology and geochemistry costs include the costs of geological mapping, prospecting and sampling on the Yukon properties. Over the course of the field season approximately 1,696 soil samples, 32 silt samples and 104 rock samples were collected on all properties. Assays results from a majority of this program have been reported in the December 12, 2011 news release and reference should be made to that news release for full details.



The results include the discovery of the HY-JAY Zig Zag gold zone ("Zig Zag"), where 9 of 14 grab samples from subcrop and associated boulder field returned assay results of greater than 1 g/t gold. These results included two samples that assayed 47.0 g/t gold &, 175 g/t silver, and 19.9 g/t gold & 230 g/t silver, respectively. It is important to note that grab samples are selective by nature and are unlikely to represent average grades of sampling on the entire property.

Geophysics costs include the expense of airborne magnetic and radiometric surveys totaling 1,240 line-kilometers completed over the VF and JAY claims in Q311. Results indicate potential strong structural controls on both properties.

Recoveries in Q110 and Q310 represent the difference between the Company's payments that were due on Flume to PDC and those that were paid to the Company from RGC. They are recorded as recoveries as the Company has no capitalized cost associated with Flume. In Q311, the Company disposed of certain claims in the Yukon and wrote off these costs ($23,182) (this explains the decrease in acquisition costs as well as the increase in write-downs). This write-down was offset by a further receipt from RGC that was in excess of the payment due to PDC.

Included within acquisition costs for Q411 is the $50,000 payment to Freeport for the HY property (refer section 1.2)

2.5 Other Exploration Costs

The following table summarizes the quarterly and YTD expensed exploration costs for generative exploration in Canada, including Mt Polley, and Mexico including the Parrandera property. Exploration and evaluation costs are expensed while the acquisition costs are capitalized:

Table 6:	**Quarterly**								**Year**	
Other Exploration	**Q110**	**Q210**	**Q310**	**Q410**	**Q111**	**Q211**	**Q311**	**Q411**	**2010**	**2011**
Camp & accommodation	-	-	-	-	-	-	565	-	-	-
General & administration	20,435	(4,009)	74,309	61,010	11,831	34,616	57,143	122,670	151,745	226,825
Geology & geochemistry	72,342	81,573	46,151	73,021	30,848	73,877	80,013	85,758	273,087	270,495
Geophysics	-	-	-	-	-	-	-	-	-	-
Write-down (recoveries)	-	-	-	-	-	-	-	-	-	-
Total exploration	**92,777**	**77,564**	**120,460**	**134,031**	**42,678**	**108,494**	**137,720**	**208,428**	**424,832**	**497,320**
Acquisition costs	(90,000)	-	-	-	-	-	83,720	-	(90,000)	83,720
Total acquisition & evaluation costs	**2,777**	**77,564**	**120,460**	**134,031**	**42,678**	**108,494**	**221,440**	**208,428**	**334,832**	**581,040**

Expensed exploration costs up to March 25, 2011 include those exploration costs from Valley High that related to either exploration activities in Mexico (other than exploration on the Cordero property), Mt Polley or generative exploration costs and are based on a number of accounting assumptions and are not necessarily representative of future performance.

General & administration costs include the costs of our VP Exploration in Canada and our General Manager in Mexico, it also includes a provision for value-added taxes ("VAT") in Mexico due to the uncertainty surrounding the timing and collectability of the amounts involved. The increase in Q411 relates to the provision for VAT associated with mineral acquisition costs, motor vehicle purchases and increased activity in Mexico.

The negative acquisition costs in Q110 were due to the payments received from Imperial on the Boundary Zone (refer section 1.2). Only limited work has been undertaken on the Mt. Polley properties since April 2010.

The overall increase in other exploration costs is consistent with the Company's generative exploration program in Mexico. The acquisition costs principally relate the cost related to Parrandera option agreements.

3 OUTLOOK

At Zymo, the exploration program completed in 2011 included 3,454 metres of NQ diamond drilling in 11 drill holes; 7 holes at the Hobbes Zone (“Hobbes”), 2 holes at the FM Zone (“FM”) and 2 holes at the URC Zone (“URC”). The RD Zone was not drill tested. Drill results were released on December 8, 2011. In addition, approximately 30 kms of IP geophysical surveying was completed as well as soil stream sediment sampling and prospecting. The work program was terminated early due to the onset of winter conditions and will be continued in the spring of 2012. The Company expects to execute a minimum $800,000 exploration program in 2012 that will focus on further delineation drilling at Hobbes as well as testing the other targets on the property. It is anticipated that this program will commence in mid-2012.

At October Dome, the Company has recently received a multi-year exploration permit that will allow extension of the existing IP grid to the southeast to cover the expanded soil anomaly as well as trenching and diamond drilling of the anomalous areas. The Company plans to complete an initial trenching and drilling program in 2012 targeting the strong coincident IP and soil anomalies.

At Mt. Polley, no specific work program is currently contemplated and the Company continues to follow with interest Imperial’s activity in and around the Mt. Polley mine area, in particular the Boundary Zone which could yield a near term royalty payment for the Company.

The Company has recently expanded its land holdings located within the productive gold-silver belt of the Mesa Central Region in Durango State with the addition of four new 100% owned claims totalling ~26,000 hectares (title pending). The Company is evaluating the area for intrusion related base metal and gold-silver mineralization. At the original Parrandera showing initial rock sampling returned values of up to 0.60 g/t gold, 14.8 g/t silver, 1.95% copper and 0.95% zinc (of 18 rock grab samples collected in the area, 10 assayed above 100 parts per billion gold) and the mineralized zone has been demonstrated by sampling to extend more than 1.3 kilometres to the east. A soil geochemical & prospecting program is currently being completed and a 12 kilometre ground IP survey is planned for December. An initial drill program to test IP and geochemical targets is scheduled for early 2012.

Bearing has an established Mexican exploration team that is focused on evaluating prospects in Mexico. In Mexico, the Company is also awaiting final approvals on its application on the 8,500 hectare Carreton property which is located in central Durango State in the municipality of San Pedro El Gallo. No work is currently planned at the Carreton property. In the Yukon, the Company recently added to its portfolio of properties with the addition of the HY property (9,974 hectares). Results from its recent programs are currently being compiled before the 2012 program is established for its 6 wholly owned properties in the Yukon. Precipitate and RGC continue to earn-in on the Jay East and Flume properties respectively.

As at October 31, 2011, the Company has cash and cash equivalents of approximately $4.6 million ($0.7m flow-through). The Company continues to look for opportunities to both expand its existing exploration portfolio and ensure that its exploration properties continue to be advanced.

4 FINANCIAL POSITION REVIEW

4.1 Assets

Table 7: Assets ($)	**2009**	**2010**	**2011**
Cash and cash equivalents	-	-	4,582,528
Accounts receivable and prepaid expenses	11,500	52,990	221,204
Bond and reclamation deposits	-	11,500	21,505
Property, plant and equipment	2,778	16,393	67,448
Mineral property interests	711,012	711,012	1,048,819
Total Assets	**725,290**	**791,895**	**5,941,504**

Cash and cash equivalents increased during the period as a result of the completion of the Valley High transaction (funding of $1.8 million) and the $6 million private placement that closed in July 2011 (section 4.4). Included within cash at October 31, 2011 is $0.7 million in flow-through financing that is allocated to qualifying exploration expenditures in Canada.

Accounts receivables include $172,000 in HST receivable associated with the Zymo exploration program. The increase in property, plant and equipment relates to vehicle purchases in Mexico.

Table 8: Mineral property interests ($)	**2009**	**2010**	**2011**
Zymo	-	-	180,000
October Dome	502,117	555,057	555,057
Mt. Polley	130,770	40,836	40,836
Mexico (including Parrandera)	-	-	79,984
Other	-	115,119	192,943
Total Mineral property interest	**632,887**	**711,012**	**1,048,819**

In June 2011, the Company optioned the Zymo property and under that option agreement subsequently paid $100,000 in cash and issued 100,000 shares (with a fair value of $80,000). Under the Company's accounting policy only acquisition costs are deferred. No acquisition costs were incurred on either of the October Dome or Mt. Polley properties as no further payments are due, except for the respective NSRs. The opportunity for a near term royalty from the Boundary zone option agreement signed with Imperial Metals in 2009 (refer to section 2.2) and the positive results from the recent sampling undertaken at the October Dome property supports the continuing capitalization of the acquisition costs associated with these properties.

The Parrandera option payments are consistent with the option payments due on two of the optioned properties and acquisition costs on the other areas surrounding the properties.

Other mineral property interests are comprised principally of acquisition costs in the Yukon. During the period the Company wrote off $23,182 in costs associated with certain Yukon claims that were disposed of. Other property acquisition costs include the costs of extending our land position in the Yukon with the staking of the VBA claim block and the $50,000 payment to Freeport for the HY property.

4.2 Liabilities and Commitments

Table 9: Liabilities ($)	2009	2010	2011
Accounts payable and accrued liabilities	-	-	355,667
Premium liability	-	-	69,465
Total Liabilities	-	-	**425,132**

Accounts payable and accruals have increased due to the active exploration program being undertaken at Zymo.

The Premium liability arises from the flow-through financing that was conducted in July 2011. The initial liability was established at $233,658 and has been drawn down by qualifying exploration expenditure. The Company is under the obligation to renounce these tax losses on this financing but the liability is released when these tax losses are incurred. The flow-through financing was done in conjunction with a separate unit offering, that comprised a common share and half-warrant. For the purposes, of determining the premium liability the Company has calculated what the fair value of a half-warrant would have been on the flow-through financing and determined this to be the premium liability.

Commitments

Table 10: Commitments Schedule ($)[(1)]	2011 (paid)	2011	2012	2013	Other
Zymo (*to earn 51% excludes commitments & shares*)	100,000	-	100,000	100,000	200,000
Parrandera- US$	65,000	15,000	205,000	325,000	200,000

[(1)] *Table excludes shares, it also excludes the Flume payments as these have been offset by the RGC Agreement.*

Parrandera:
The 49 hectare claim can be purchased for a total of US$250,000 over two years, subject to a 1.5% NSR (0.5% purchasable for US$100,000). The 302 hectare claim can be purchased for a total of US$560,000 over three years subject to a 1.5% NSR (0.5% purchasable for US$500,000).

Zymo:
To earn an initial 51% interest, Bearing must make cash payments totalling $500,000 and issue 500,000 Bearing shares and complete exploration expenditures totalling $8 million over a five year period. Bearing may earn an additional 9% interest by completing a feasibility study and maintaining minimum annual expenditures of $500,000. Should Bearing make the decision to put the property into production, Bearing will have an option to earn an additional 5% interest by paying $10 million, issuing to 2 million Bearing shares and arranging project financing for the mine development.

Flume:
Bearing may earn a 100% interest in the Flume property from PDC by making cash payments totalling $225,000 ($75,000 paid) and by spending $500,000 on exploration work within 4 years (completed). The initial payment of $10,000 (paid) was due on the six month anniversary of the signing of the option agreement. A required minimum $200,000 work program was completed by June 24, 2011. PDC retains a 2% NSR royalty of which one half can be purchased for a sum of $1,000,000. PDC also retains the right to share in the proceeds derived from the sale or option of the property to a third party in the amount of 25% of the proceeds (in the first year the amount was 50% of proceeds) in any subsequent year. This commitment has been offset by payments received from RGC (refer to section 1.2).

4.3 Equity and Financing

Table 11: Shareholders' Equity ($)	2009	2010	2011
Common shares	-	-	8,094,885
Contributed surplus	3,359,060	4,169,805	4,407,606
AOCI	-	-	(5,999)
Deficit	(2,711,895)	(3,430,900)	(6,980,120)
Total shareholders' equity	**647,165**	**738,905**	**5,516,372**

Contributed surplus up to March 25, 2011 represents the funding of the Company from Valley High ($3,673,967) and subsequently the fair value of the warrants issued in connection with the July 2011 financing and options granted in Q3 2011.

Common shares represent the value of the assets transferred from Valley High of $2.6 million (refer to note 2 of the financial statements for the year ended October 31, 2011). In addition, it includes the proceeds from the non-brokered private placement of 8,333,334 units and 5,952,381 flow-through common shares. Each unit was comprised of one common share and one half of a common share purchase warrant. The units and the flow-through shares were both priced at $0.42. Each whole warrant is exercisable for one common share of the Company for a period of 12 months on or before July 8, 2012 an exercise price of $0.60.

In December 2011, the Company announced a non-brokered private placement of up to 428,572 units. Each unit will be comprised of one common share of the Company and one-half of a common share purchase warrant. The units will be at a price of $0.42 per unit for aggregate gross proceeds of up to $180,000. Each whole warrant will be exercisable for one common share of the Company for a period of 12 months from closing at an exercise price of $0.60. In addition, the Company issued 220,000 options at an exercise price of $0.38 associated with the appointment of a Manager of Corporate Relations

Table 12: Shareholders' Equity ($)	2009	2010	2011
Common shares	*Non-applicable as Company was only spun-out of Valley High on March 25, 2011*		23,361,076
Options outstanding			
Number			2,090,000
Weighted average price			$0.72
Warrants outstanding			
Number			4,166,663
Weighted average price			0.60
Market capitalization – October 31			$12.1 million
Share price – October 31			0.52

Table 13: - Use of Proceeds Table

Description	Shares (000's)	Price CA$	Gross Proceeds ($000's)	Intended Use	Actual Use
July 11- Flow through and Unit Issuance	14,386	$0.42	6,000	Working capital	Pending

5 EXPENDITURE REVIEW

Expenditures up to March 25, 2011 are from the deemed business of Bearing that were included with the operating results of Valley High and the allocation of these costs are subject to the accounting assumptions adopted in determination of these results and are not necessarily a good indication of future results (refer to section 7).

Table 14: Expenditures ($000's)	**Quarterly**								**Year**	
	Q110	**Q210**	**Q310**	**Q410**	**Q111**	**Q211**	**Q311**	**Q411**	**2010**	**2011**
Revenues	-	-	-	-	-	-	-	-	-	
Exploration expenditures	155	78	105	134	70	126	545	1,793	472	2,534
Other expenses										
Audit, filing and legal Fees	-	-	-	-	-	2	121	210	-	333
Consulting and labour	33	19	47	46	15	32	111	134	145	292
Depreciation and amortization	-	1	2	4	3	1	2	3	7	8
FT premium recognition								(164)		(164)
Interest received	-	-	-	-	-	-	(4)	(17)	-	(21)
Other costs	6	11	(6)	10	7	19	3	3	21	32
Rent and office costs	4	9	7	5	5	11	30	41	25	87
Share-based payments	-	-	-	-	-	-	267	140	-	407
Travel and promotion	-	2	13	34	25	5	10	2	49	41
Total other expenses	43	42	63	99	55	70	540	352	247	1,015
Net loss	**198**	**120**	**168**	**233**	**125**	**196**	**1,085**	**2,145**	**719**	**3,549**
Basic loss per share			**Non-applicable**			**$0.07**	**$0.09**	**$0.12**	**n/a**	**$0.36**

As the Company is in the exploration and development stage it has no sales or revenues. Audit, filing and legal fees have increased due to the Company becoming a stand-alone legal entity as of March 25, 2011. It also includes listing and legal costs associated with the Company commencing trading in July 2011. Included within Q411 legal fees costs were one-off reimbursements arising from the Arrangement.

Consulting and labour fees have also increased as the Company has established itself as a separate operating entity. Rent and office costs include insurance and communication costs. Interest received rose as a result of the financing that was completed in July 2011. Share-based payments is as a result of the first time grant of options in Q311 and one-third of these options vesting immediately and therefore one-third of their fair value being immediately expensed.

The FT premium recognition arises from incurring Canadian exploration expenditures that were used to offset the flow-through share premium liability. These losses will be renounced to the underlying shareholders in 2012 and a full valuation allowance would have been taken on these losses had they not been incurred under the flow-through share program.

Table 15: Expensed Exploration ($000's)	**Quarterly**								**Year**	
	Q110	**Q210**	**Q310**	**Q410**	**Q111**	**Q211**	**Q311**	**Q411**	**2010**	**2011**
Camp & accommodation	-	-	-	-	-	-	54	242	-	296
Drilling	-	-	-	-	-	-	-	907	-	907
General & administration	20	(4)	74	62	12	37	59	165	152	273
Geology & geochemistry	116	82	46	72	58	89	238	335	316	720
Geophysics	29	-	-	-	-	-	162	172	29	334
Write-down (recoveries)	(10)	-	(15)	-	-	-	4	-	(25)	4
Total exploration and evaluation	**155**	**78**	**105**	**134**	**70**	**126**	**545**	**1,821**	**472**	**2,534**

Expensed exploration costs have increased due to the initiation of the Zymo work program at the end of Q311 (refer to section 2.1) and the Company's summer exploration programs in the Yukon (refer to section 2.4). Camp costs reflect the costs of running these programs. Drilling costs are limited to the 3,454m of helicopter supported drilling and associated assay costs at Zymo. Geophysics costs are in Q311 principally relate to our Yukon projects while the Q411 costs relate to Zymo.

Expenditures prior to March 25, 2011 are based on expenses allocated from the financial performance of Valley High and are not necessary indicative of future costs. The amount allocated to the Bearing Business prior to March 25, is also tied to the exploration expenditures at Cordero versus the Bearing Business and therefore the allocations to the Bearing Business varied based on the relative exploration expenditures.

6 CASH FLOW REVIEW

Quarterly Discussion:
Cash outflow from operating activities was $2,159,539 (Q410: $229,270) was due principally to the exploration program at Zymo. Cash outflow from financing activities was $1,508 (Q410: inflow $341,658) the previous inflow was from funding from Valley High for the Bearing Business. Cash outflow from investing activities was $57,197 (Q410: $112,389) which was principally related to acquisition costs on Parrandera property and the new VBA property.

Annual Discussion:
Cash outflow from operating activities was $3,156,559 (2010: $711,773) due to the new exploration programs at Zymo and in Mexico. Cash inflow from financing activities was $8,032,601 (2010: $803,513) with the major item being the aforementioned proceeds of $6 million and $1.8 million from the Plan of Arrangement from the private placement conducted in July 2011. Cash outflow from investing activities was $293,062 (2010: $91,740).

7 PLAN OF ARRANGEMENT

On March 25, 2011, Valley High was acquired by Levon Resources Ltd ("Levon") by way of a court-approved plan of arrangement (the "Arrangement").

Under the Arrangement, the authorized share capital of Valley High was amended by the creation of two new classes of shares consisting of an unlimited number of Valley High Class A Shares and an unlimited number of Valley High Preferred Shares. In the course of the capital reorganization each Valley High Share was exchanged for one Valley High Class A Share and 0.125 of a Bearing Resources Ltd. Share (the "Company" or "Bearing"), and such Valley High Shares were there cancelled.

Valley High's interest in the Mt. Polley Properties, Flume property, other staked Yukon properties and its early exploration prospect, Carreton, in Mexico (collectively, "the Projects") were transferred to Bearing, together with $1.8 million in cash.

Bearing provided Levon with an indemnification in respect of the tax payable on disposition of Bearing Resources Ltd., in the event that the fair market value of the assets transferred exceeds the tax pools available to Valley High upon acquisition.

For a full understanding of the Arrangement reference should be made to the Valley High's Information Circular, dated February 18, 2011.

The formation of Bearing was the result of the transfer of assets between entities under common control: accordingly, the transaction is excluded from the scope of IFRS 3 (R), Business Combinations. These financial statements have been presented using predecessor accounting with balance sheet amounts based on the amounts recorded by Valley High up to March 25, 2011.

Bearing began operations on March 26, 2011. Financial statement information prior to this date reflects the financial position, statements of loss, comprehensive loss and deficit and cash flows of the Bearing Business of Valley High. The statements of loss, comprehensive loss and deficit for the three and nine months ended July 31, 2011 include an allocation of Valley Highs' general and administrative expenses incurred in each of those periods up to March 25, 2011 and expenses incurred directly by Bearing for the periods then ended. The consolidated schedule of mineral property costs for the nine months ended July 31, 2011 include the acquisition costs deferred to the Bearing properties.

The allocation of general and administrative expense was calculated on the basis of the ratio of costs deferred on projects in each year presented as compared to the costs incurred on all mineral properties in each of these years. The consolidated financial statements have been presented under the continuity of interests basis of accounting with balance sheet amounts based on the amounts recorded by Valley High. Management cautions readers of these financial statements, that the allocation of expenses does not necessarily reflect future general and administrative expenses.

8 RISKS, CRITICAL ACCOUNTING ESTIMATES & POLICIES

For a full version of the critical accounting estimates and policies, reference should be made to the Company's audited financial statements for the year ended October 31, 2011

8.1 Disclosure Controls and Internal Control Financial Reporting

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure. Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in the rules of the Canadian Securities Administration, as at October 31, 2011. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management in its opinion has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. However, a material weakness exists in the design of internal control over financial reporting caused by a lack of adequate segregation of duties in the financial close process. The Chief Financial Officer is responsible for preparing, authorizing, and reviewing information that is key to the preparation of financial reports. He is also responsible for preparing and reviewing the resulting financial reports. This weakness has the potential to result in material misstatements in the Company's financial statements. Management has concluded, and the audit committee has agreed that taking into account the present stage of the Company's development, the Company does not have sufficient size and scale to warrant the hiring of additional staff to correct the weakness at this time.

The Canadian Securities Administrators do not require any certification on the effectiveness of these controls at this time. There have been no changes in the Company's internal control over financial reporting during the period ended October 31, 2011, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

8.2 Forward Looking Statements

Certain statements included in this "MD&A" constitute forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend", "may", "should" and similar expressions to the extent they relate to the Business or its management. The forward-looking statements are not historical facts but reflect current expectations regarding future results or events. This MD&A contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors.

Information concerning the interpretation of drill results also may be considered forward-looking statements; as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed. The estimates, risks and uncertainties described in this MD&A are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Company's forward-looking statements. In addition, any forward-looking statements represent the Company's estimates only as of the date of this MD&A and should not be relied upon as representing the Company's estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in this MD&A include: (a) execution of the Company's existing plans or exploration programs for each of its properties, either of which may change due to changes in the views of the Company, or if new information arises which makes it prudent to change such plans or programs; and (b) the accuracy of current interpretation of drill and other exploration results, since new information or new interpretation of existing information may result in changes in the Company's expectations. Readers should not place undue reliance on the Company's forward-looking statements, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.

8.3 Government Laws, Regulation & Permitting

Mining and exploration activities of the Business are subject to both domestic and foreign laws and regulations governing prospecting, development, production, taxes, labour standards, occupational health, mine safety, waste disposal, toxic substances, the environment and other matters. Although the Company believes that all exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a substantial adverse impact on the Company.

The operations of the Company will require licenses and permits from various governmental authorities to carry out exploration and development at its projects. There can be no assurance that the Company will be able to obtain the necessary licences and permits on acceptable terms, in a timely manner or at all. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

8.4 Additional Financings

If the Business's exploration programs are successful, additional funds will be required in order to complete the development of its properties. There is no assurance that the Company will be successful in raising sufficient funds to meet its obligations or to complete all of the currently proposed exploration programs. If the Company does not raise the necessary capital to meet its obligations under current contractual obligations, the Company may have to forfeit its interest in properties or prospects earned or assumed under such contracts.

8.5 Key Management and Competition

The success of the Business will be largely dependent upon the performance of its key officers, consultants and employees. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. The success of the Company is largely dependent on the performance of its key individuals. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success.

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself with respect to the discovery and acquisition of interests in mineral properties, the recruitment and retention of qualified employees and other persons to carry out its mineral exploration activities. Competition in the mining industry could adversely affect the Company's prospects for mineral exploration in the future.

8.6 Title to Properties

Acquisition of rights to the mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Business has investigated the title to all of the properties for which it holds concessions or other mineral leases or licenses or in respect of which it has a right to earn an interest, the Company cannot give any assurance that title to such properties will not be challenged or impugned.

8.7 Commodity Prices

The profitability of the Business's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production to be impracticable. The Business's revenues and earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of copper or gold.

8.8 Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

8.9 Critical Accounting Policies

Exploration and Evaluation Expenditures:

During the period ended July 31, 2011, the Company retrospectively changed its accounting policy for exploration and evaluation expenditures to align itself with policies applied by other companies in the mining and exploration industry. The Company now only capitalizes exploration expenditures when a known resource exists and management believes that the costs are economically recoverable. Property acquisition costs are capitalized.

Exploration and evaluation expenditures are charged to net loss as they are incurred until a known resource exists and management believes that the costs are economically recoverable. All costs related to property acquisition are capitalized until the viability of the mineral interest is determined. The impact of this change on the previously reported October 31, 2010 and November 1, 2009 financial statements is as follows:

October 31, 2010	Reported $	Adjustment $	Restated $
Mineral property interest	2,366,111	(1,655,099)	711,012
Loss for the year	722,763	(3,758)	719,005
Deficit	1,053,038	1,658,857	2,711,895

November 1, 2009	Reported $	Adjustment $	Restated $
Mineral property interest	2,291,744	(1,658,857)	632,887
Deficit	1,053,038	1,658,857	2,711,895

Estimates, risks and uncertainties

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ from those estimates.

In applying its accounting policy for costs incurred during the development phase the Company must determine whether the criteria for capitalization have been met. The most difficult and subjective estimate is whether a project will generate probable future economic benefits. Management considers all appropriate facts and circumstances in making this assessment including historical experience, expected market demand, costs and future economic conditions.

Realization of the Company's assets and liabilities is subject to risks and uncertainties, including reserve and resource estimation, future copper and other base and precious metal prices, estimated costs of future production, changes in government legislation and regulations, estimated deferred income taxes, the availability of financing, and various operational factors.

Foreign currency translation

The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which the subsidiary operates. The consolidated financial statements are presented in Canadian dollars, which is Bearing's functional currency. The Company's Mexican subsidiaries have a Mexican peso functional currency. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in other than an entity's functional currency are recorded at exchange rates prevailing on the dates of the transactions.

The financial statements of subsidiaries that have a functional currency other than the Canadian dollar are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period. All resulting changes are recognized in other comprehensive income as foreign currency translation adjustments.

Exploration and Evaluation Costs
Exploration and evaluation costs include costs to acquire the rights to explore, geological studies, exploratory drilling and sampling and directly attributable administrative costs.

Exploration and evaluation costs relating to non-specific projects or properties or those incurred before the Company has obtained legal rights to explore an area are expensed in the period incurred. Property acquisition costs are capitalized.

Exploration and evaluation costs are recognized as mineral property interests when management has established that a resource exists or that the costs can be economically recovered.

Once the technical feasibility and commercial viability of the extraction of resources from a particular mineral property has been determined, exploration and evaluation assets are reclassified to mine properties within property, plant and equipment.

Proceeds from the sale of properties or cash proceeds received from option payments are recorded as a reduction of the related mineral property interest.

Asset impairment
The Company performs impairment tests on mineral properties, when events or circumstances occur which indicate the assets may not be recoverable. Impairment assessments are carried out on project by project basis with each project representing a single cash generating unit.

When impairment indicators are identified, an impairment loss is recognized for any amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Income taxes
Deferred income tax is recognized using the liability method on temporary differences arising between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognized only to the extent that it is probable that future profit will be available against which such assets can be utilized.

Flow-through common shares
Under the Canadian Income Tax Act, an enterprise may issue securities referred to as flow-through shares. These instruments permit the Company to renounce (i.e. transfer) the tax deductions associated with an equal value of qualifying resource expenditures to the investor.

The proceeds from the issuance of flow-through shares are allocated between the offering of the flow-through shares and the premium paid for the implied tax benefit received by the investors as a result of acquiring the flow-through shares. The calculated tax benefit is recognized as a liability until the Company incurs the expenditures, at which point the liability is reversed and recorded as other income on the statement of loss.

Loss per share
Loss per share is calculated using the weighted average number of shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method whereby all in the money options and warrants are assumed to have been exercised at the beginning of the year and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period. In periods of loss basic and diluted loss per share are the same, as the effect of the exercise of outstanding options and warrants is anti-dilutive.

Valuation of equity units
The Company has adopted a pro-rata basis method for the measurement of shares and warrants issued as units in financing arrangements. The pro-rata basis method requires that gross proceeds and related share issuance costs be allocated to the common shares and the warrants based on the relative fair value of each component.

The fair value of the common shares is based on the closing price on the closing date of the transaction and the fair value of the warrants is determined on the closing date of the transaction using the Black-Scholes option pricing model. The fair value attributed to the warrants is recorded as contributed surplus. If the warrants are exercised, the value attributable to the warrants is transferred to share capital.

Financial Instruments

a) Cash and cash equivalents
Cash and cash equivalents comprise cash at banks, cash on hand and other short-term investments with initial maturities of less than three months. Cash and cash equivalents are classified as loans and receivables.

b) Accounts receivable
Accounts receivable are classified as "loans and receivables" and are recorded at amortized cost using the effective interest rate method, which upon their initial measurement is equal to their fair value. Subsequent measurement of receivables is at amortized cost. Reclamation bonds and deposits are included as loans and receivables.

c) Accounts payable
Accounts payable and accrued liabilities are classified as "other financial liabilities" and are measured at amortized cost using the effective interest rate method.

Future accounting pronouncements
Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

(i) IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

(ii) IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces *SIC-12, Consolidation—Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*.

(iii) IFRS 11, *Joint Arrangements*, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers.*

(iv) IFRS 12, *Disclosure of Interests in Other Entities*, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

(v) IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

(vi) There have been amendments to existing standards, including IAS 27, *Separate Financial Statements* (IAS 27), and IAS 28, *Investments in Associates and Joint Ventures* (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

(vii) IAS 1, *Presentation of Financial Statements*, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

The functional currency of the Bearing is the Canadian dollar.

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