BEARING RESOURCES LTD.

(An Exploration Stage Company)

Condensed Consolidated Financial Statements

For the Quarter ended July 31, 2012

(Expressed in Canadian dollars, except where indicated)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Bearing Resources Ltd.

Condensed Consolidated Statement of Financial Position

As at July 31, 2012 and October 31, 2011

(Expressed in Canadian dollars, except where indicated)

	July 31, 2012 $	October 31, 2011 $
Assets		
Current assets		
Cash and cash equivalents (note 5)	3,163,106	4,582,528
Accounts receivable and prepaid expenses	44,226	221,204
Investments	5,500	-
	3,212,832	4,803,732
Non-current assets		
Reclamation bonds and deposits	21,609	21,505
Mineral property interests (note 7)	1,187,914	1,048,819
Property, plant and equipment	54,835	67,448
	4,477,190	5,941,504
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	216,961	355,667
Flow through share premium liability (note 8)	10,709	69,465
	267,670	425,132
Shareholders' Equity		
Common shares	8,678,268	8,094,885
Contributed surplus	4,752,449	4,407,606
Accumulated other comprehensive income ("AOCI")	(11,802)	(5,999)
Deficit	(9,209,395)	(6,980,120)
	4,209,520	5,516,372
	4,477,190	5,941,504

Contingencies (note 6)

Approved by the Board of Directors

"Damian Towns"
Director

"Brian Bayley"
Director

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

Bearing Resources Ltd.

Condensed Consolidated Statement of Loss and Comprehensive Loss

For the three and nine months ended July 31, 2012 and 2011

(Expressed in Canadian dollars, except where indicated)

	Three Months Ended July 31 2012	Three Months Ended July 31 2011	Nine Months Ended July 31 2012	Nine Months Ended July 31 2011
	$	$	$	$
Exploration Expenditures (note 6**)**	768,684	545,361	1,277,035	741,169
Corporate and Other Costs				
Audit, filing and legal fees	9,444	121,451	85,339	123,730
Consulting and labour	114,144	111,493	394,703	158,144
Depreciation and amortization	5,845	1,641	17,943	5,706
Finance income	(6,465)	(4,009)	(33,537)	(4,009)
Flow through premium recognition (note 8)	(13,787)	-	(18,758)	-
Other costs	1,699	3,062	13,947	28,758
Rent and office costs	14,226	30,349	71,733	46,450
Share-based payments	90,471	266,569	328,032	266,569
Unrealized loss on held-for-trading investment	1,500	-	3,000	-
Travel and promotion	24,504	9,492	89,838	38,926
	241,581	540,048	952,240	664,274
Loss for the period	1,010,265	1,085,410	2,229,275	1,405,444
Other Comprehensive Income				
Foreign currency translation adjustment	2,183	3,541	5,803	3,540
Loss and comprehensive loss for the period	1,012,448	1,088,951	2,235,078	1,408,984
Basic and diluted loss per share ($ per share)	$0.04	$0.09	$0.09	$0.26
Weighted average shares outstanding	23,789,648	12,568,530	23,755,844	5,439,006

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

Bearing Resources Ltd.

Condensed Consolidated Statements of Shareholders' Equity

For the nine months ended July 31, 2012 and 2011

(Expressed in Canadian dollars, except where indicated)

	Common shares					
	No. of shares #	**Amount $**	**Deficit $**	**Contributed Surplus $**	**AOCI $**	**Shareholders' equity $**
Balance – November 1, 2010	-	-	(3,430,900)	4,169,805	-	738,905
Share issuances	23,361,076	8,096,392	-	(513,354)	-	7,583,038
Funding by Valley High (note 2)	-	-	-	344,637	-	344,637
Share-based payments				266,569		266,569
Comprehensive income (loss)	-	-	(1,405,444)	-	(3,540)	(1,408,984)
Balance – July 31, 2011	23,361,076	8,096,392	(4,836,344)	4,267,657	(3,540)	7,524,164
Balance – November 1, 2011	23,361,076	8,094,885	(6,980,120)	4,407,606	(5,999)	5,516,372
Share issuances (note 8)	2,528,572	588,189	-	16,811	-	605,000
Share issuance costs	-	(4,806)	-	-	-	(4,806)
Share-based payments	-	-	-	328,032	-	328,032
Comprehensive income (loss)	-	-	(2,229,275)	-	(5,803)	(2,235,078)
Balance – July 31, 2012	25,889,648	8,678,268	(9,209,395)	4,752,449	(11,802)	4,209,520

Bearing Resources Ltd.

Condensed Consolidated Statement of Cash Flow

For the three and nine months ended July 31, 2012 and 2011

(Expressed in Canadian dollars, except where indicated)

	Three Months Ended July 31 2012	Three Months Ended July 31 2011	Nine Months Ended July 31 2012	Nine Months Ended July 31 2011
Cash flows from operating activities				
Loss for the period	(1,010,265)	(1,085,410)	(2,229,275)	(1,405,444)
Items not affecting cash				
Depreciation and amortization	5,845	1,641	17,943	5,706
Flow through premium recognition	(13,787)	-	(18,758)	-
Mineral Properties recovery	19,673	-	-	-
Other	412	23,182	2,014	23,182
Share-based payment expense	90,471	266,569	328,032	266,569
Unrealized loss on held-for-trading investments	1,500	-	3,000	-
Writedown of Mineral Property (note 7)	85,553	-	85,553	-
	(820,598)	(794,018)	(1,811,491)	(1,109,987)
Change in non-cash operating working capital				
Increase in accounts receivable & prepaid expenses	45,417	(104,550)	171,063	(157,541)
Increase in accounts payable & accrued liabilities	18,749	235,948	(140,719)	270,506
	(756,432)	(662,620)	(1,781,147)	(997,022)
Cash flows from financing activities				
Funding provided by Valley High	-	-	-	297,412
Share issuances (net)	396,510	5,936,697	575,194	5,936,697
Cash from Plan of Arrangement	-	-	-	1,800,000
	396,510	5,936,697	575,194	8,034,109
Cash flows from investing activities				
Mineral property acquisition costs	(223,066)	(230,747)	(244,396)	(230,747)
Mineral property reimbursements	(19,673)	-	37,838	-
Payments to acquire capital assets	-	(5,117)	(5,336)	(5,117)
	(242,739)	(235,864)	(211,894)	(235,864)
Effect of exchange rate changes on cash & equivalents	(2,591)	(3,541)	(1,575)	(3,541)
Increase in cash and cash equivalents	(605,252)	5,034,672	(1,419,422)	6,797,682
Cash and cash equivalents - Beginning of period	3,768,358	1,763,010	4,582,528	-
Cash and cash equivalents - End of period	3,163,106	6,797,682	3,163,106	6,797,682

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

(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

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 period ended April 30, 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. 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.

Mineral property costs for the period ended July 31, 2012 include the direct exploration expenses deferred to the Bearing properties.

4 Significant accounting policies

Basis of Presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34- Interim Financial Reporting. The accounting policies followed in these condensed consolidated financial statements are the same as those applied in the Company's audited annual financial statements for the year ended October 31, 2011, except for the new accounting policy referenced below for Financial Instruments.

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 September 13, 2012, the date the Audit Committee approved the statements. Any subsequent changes to IFRS after this date could result in changes to the consolidated financial statements for the period ended July 31, 2012.

The interim condensed consolidated financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company's audited annual consolidated financial statements and the notes thereto for the year ended October 31, 2011.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, share-based payments, allocation of financing proceeds, and income and mining taxes. Differences may be material.

(Expressed in Canadian dollars, except where indicated)

4 Significant accounting policies (continued)

New Accounting Policy - Financial Instruments

(a) Investments
Investments in public company shares are held for trading and measured at fair value on the balance sheet. Gains or losses are recognized in net income for the year in which it arises.

5 Cash and cash equivalents

$	July 31,2012	October 31,2011
Flow-through funds	942,555	743,248
Other	2,120,551	3,839,280
	3,163,106	4,582,528

In July 2011 and 2012, the Company completed flow-through financings for gross proceeds of $2,900,000 (note 8). 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.

6 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 ($200,000 paid), issue 500,000 shares (200,000 issued) and complete exploration expenditures totalling $8 million ($1.8 million incurred) 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.

Mapimi Area, Durango, Mexico:
In Mexico, the Company’s focus is on the Mapimi area in Durango, Mexico. The Mapimi area is made up of an optioned claims (Kilometer 66 (“KM66”)) and the wholly owned Pedro ground.

<u>KM66</u>
In May 2012, the Company sign a definitive option agreement to acquire a 100% interest in the 13,400 hectare KM66 silver-gold-lead-zinc property in Durango, Mexico. Under the terms of the agreement BRZ can earn a 100% interest, subject to a 3% NSR the Company shall pay: US$150,000 on signing (paid); US$150,000 on the first anniversary of signing; US$150,000 on the second anniversary; US$400,000 on the third anniversary; US$500,000 on the fourth anniversary; US$7,875,000 at the end of year five.

At the Company's election it may purchase the property outright after two years for US$5,575,000 or after three

6 Exploration costs (continued)

years for US$5,875,000 or after four years for US$6,875,000. The Company may purchase up to 1% of the NSR for US$650,000 per half percent and holds a first right of refusal to purchase the remaining 2%.

Pedro Ground
The Company has staked additional claims (~26,000 hectares) that are contiguous with optioned properties.

Parrandera
In June 2011, the Company optioned the Parrandera gold-copper-zinc prospects through agreements with local Mexican vendors. The Parrandera project was located in the Mapimi region of eastern Durango, Mexico. The Parrandera options included a contiguous 49 hectare claim group and a 302 hectare claim group. Bearing had the right to acquire a 100% interest in both the optioned properties. The 49 hectares claim group could have been purchased for a total of $250,000 ($40,000 paid) over two years, subject to a 1.5% NSR. The 302 hectare claim group could have been purchased for a total of $560,000 ($40,000 paid) over three years subject to a 1.5% NSR. In May 2012, the Company terminated its option agreement over the Parrandera properties.

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 Gold Property, 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 ($75,000 paid; 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.

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 and making cash payments of $500,000 ($175,000 paid; $325,000 due 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).

6 Exploration costs (continued)

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 July 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 ($30,000 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.

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. To date Imperial has made $27,511 in royalty payments. 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.

(Expressed in Canadian dollars, except where indicated)

6 Exploration costs (continued)

						For the three months ended July 31, 2012
$	**Zymo**	**OctDome**	**Yukon**	**Mex**	**Other**	**Total**
Camp & accommodation	34,293	-	-	20,606	-	54,899
Drilling	102,215	2,658	-	160,606	-	265,479
General & administration	-	15,000	-	195,885	39,656	250,541
Geology & geochemistry	340	1,916	455	143,254	585	146,550
Geophysics	-	-	-	(588)	-	(588)
Write-downs (recoveries)	-	-	(33,750)	85,553	-	51,803
	136,848	19,574	(33,295)	605,316	40,241	768,684

						For the three months ended July 31, 2011
$	**Zymo**	**OctDome**	**Yukon**	**Mex**	**Other**	**Total**
Camp & accommodation	34,172	5,925	21,254	9,799	-	71,150
Drilling	18,484	-	-	-	-	18,484
General & administration	52	2,930	2,911	11,147	29,266	46,306
Geology & geochemistry	37,894	32,402	125,495	75,838	-	271,629
Geophysics	19,291	-	114,069	-	-	133,360
Write-downs (recoveries)	-	-	4,432	-	-	4,432
	109,893	41,257	268,161	96,784	29,266	545,361

(Expressed in Canadian dollars, except where indicated)

6 Exploration costs (continued)

						For the nine months ended July 31, 2012
$	**Zymo**	**OctDome**	**Yukon**	**Mex**	**Other**	**Total**
Camp & accommodation	36,043	-	-	61,573	-	97,616
Drilling	102,215	2,658	-	232,668	-	337,541
General & administration	-	23,021	-	252,316	122,321	397,658
Geology & geochemistry	32,407	3,061	14,687	318,956	820	369,931
Geophysics	2,550	-	-	39,609	-	42,159
Write-downs (recoveries)	-	-	(53,423)	85,553	-	32,130
	173,215	28,740	(38,736)	990,675	123,141	1,277,035

						For the nine months ended July 31, 2011
$	**Zymo**	**OctDome**	**Yukon**	**Mex**	**Other**	**Total**
Camp & accommodation	34,172	5,925	21,254	13,340	-	74,691
Drilling	18,484	-	-	-	-	18,484
General & administration	52	5,323	2,911	45,659	37,660	91,605
Geology & geochemistry	37,894	74,644	125,495	180,563	-	418,596
Geophysics	19,291	-	114,069	-	-	133,360
Write-downs (recoveries)	-	-	4,432	-	-	4,432
	109,893	85,892	268,161	239,562	37,660	741,169

(Expressed in Canadian dollars, except where indicated)

7 Mineral property interests

$	Zymo	OctDome	Mt Polley	Mex	Other	Total
October 31, 2010	-	555,057	40,836	-	115,120	711,013
Acquisition costs	180,000	-	-	79,983	132,255	392,238
Write-downs	-	-	-	-	(23,182)	(23,182)
Property payments received	-	-	-	-	(31,250)	(31,250)
October 31, 2011	180,000	555,057	40,836	79,983	192,943	1,048,819
Acquisition costs	125,000	-	-	169,396	-	294,396
Write-downs	-	-	-	(85,553)	-	(85,553)
Property payments received	-	-	(27,511)	-	(43,827)	(71,338)
Foreign currency movement	-	-	-	1,590	-	1,590
July 31, 2012	305,000	555,057	13,325	165,416	149,116	1,187,914

Under the Company's accounting policy all acquisition costs are capitalized until the property is placed into production or disposed of. Refer to note 6 for a description of the mineral property interests.

8 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 any flow-through financing the Company is under the obligation to renounce tax losses on this financing and has recognized a premium liability of $233,658, of which $182,949 has been released with the incurrence of qualifying exploration expenditures.

Under the terms of the Zymo option agreement (note 6) the Company issued 100,000 common shares (fair value $25,000) in July 2012 and 100,000 common shares (fair value $80,000) in July 2011.

In January 2012, the Company closed $180,000 private placement. The non-brokered private placement consisted of 428,572 units. Each unit was comprised of one common share of the Company and one half of a common share purchase warrant. The units were priced at $0.42 per Unit. Each whole warrant will be exercisable for one common share of the Company until January 18, 2013 at an exercise price of $0.60.

In July 2012, the Company closed a $0.4 million non-brokered private placement consisting of 2,000,000 flow-through common shares priced a $0.20.

(Expressed in Canadian dollars, except where indicated)

9 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.

	July 31, 2012		October 31, 2011	
	Number of shares	**Weighted average exercise price $**	**Number of shares**	**Weighted average exercise price $**
Opening - October 31	2,090,000	0.72	-	-
Granted	220,000	0.38	2,090,000	0.72
Cancelled	-	-	-	-
Forfeited	(3,333)	(0.72)	-	-
Expired	(1,667)	(0.72)		
Exercised	-	-	-	-
Closing	2,305,000	0.69	2,090,000	0.72

As of July 31, 2012, the following stock options were outstanding:

Number of options Outstanding	Number of options vested and exercisable	Exercise price $	Expiry Date
2,085,000	1,389,999	0.72	July 12, 2016
220,000	73,333	0.38	December 16, 2016
2,305,000	1,463,332	0.69	

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 three months ended July 31, 2012 share-based compensation expense was $90,471 (2011: $266,569).
For the nine months ended July 31, 2012 share-based compensation expense was $328,032 (2011:$266,569).

(Expressed in Canadian dollars, except where indicated)

9 Share stock options and warrants (continued)

Warrants

	July 31, 2012		October 31, 2011	
	Number of shares	**Weighted average exercise price $**	**Number of shares**	**Weighted average exercise price $**
Outstanding – beginning of year	4,166,663	0.60	-	-
Granted	214,286	0.60	4,166,663	0.60
Exercised	-	-	-	-
Expired	(4,166,663)	0.60	-	-
Outstanding – end of period	214,286	0.60	4,166,663	0.60

At July 31, 2012, the following warrants were outstanding:

Number of Shares outstanding	Exercise price $	Expiry Date
214,286	0.60	January 13, 2013

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

	Warrants	Options
Risk-free interest rate	0.93% to 1.02%	0.95% to 1.92%
Expected life	0.67 years	2.5 to 3.5 years
Expected volatility	100%	100%
Expected dividend	nil	nil

10 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.

	Three Months Ended July 31, 2012	Three Months Ended July 31, 2011	Nine Months Ended July 31, 2012	Nine Months Ended July 31, 2011
Short-term employee benefits	128,268	164,337	379,136	179,041
Share-based payments	40,515	127,545	143,442	127,545
Total key management personnel	168,783	291,882	522,578	306,586

(Expressed in Canadian dollars, except where indicated)

11 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
July 31, 2012			
Loss for the period	999,334	1,229,941	2,229,275
Non-current assets	199,524	1,089,834	1,289,359
Total assets	227,379	4,219,811	4,477,190
Total liabilities	20,345	299,422	319,767
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	393,454	425,132

12 Commitments and contingencies

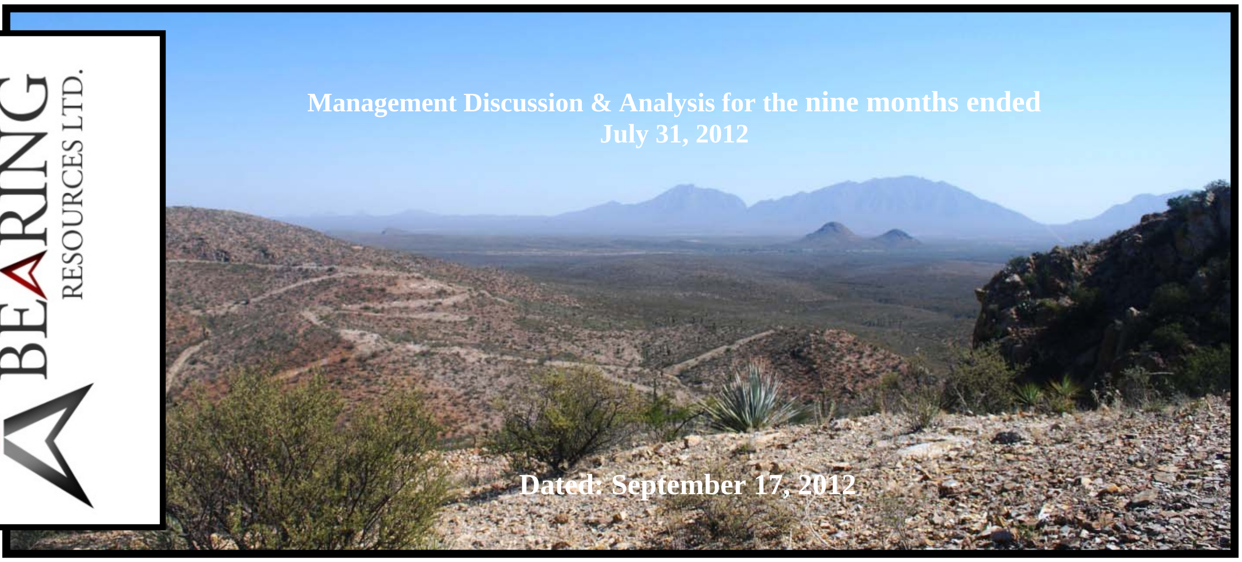
As part of the Arrangement, Bearing agreed to indemnify Levon from any tax liabilities associated with the transfer of the assets to Bearing from Valley High. At this time, the Company does not believe that any significant liabilities will arise as a result of this indemnification. This liability, if 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 (note 6).

Cash Commitments Schedule per Fiscal Year, as at July 31, 2012 ($) [1]	2012 (paid)	2012	2013	2014	Thereafter
Zymo (to earn 51% excludes commitments & shares)	100,000	-	100,000	100,000	100,000
KM66 – La Gloria – US$	150,000	-	150,000	150,000	8,775,000
Lease commitments	23,904	11,952	47,808	11,952	-

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

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, which are available on SEDAR (www.sedar.com).

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 should be read in conjunction with the Company's unaudited financial statements for the three and nine months ended July 31, 2012.

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. These allocations are consistent with those applied in the preparation of the audited financial statements for the year ended October 31, 2011. 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.

1.3 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 23 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

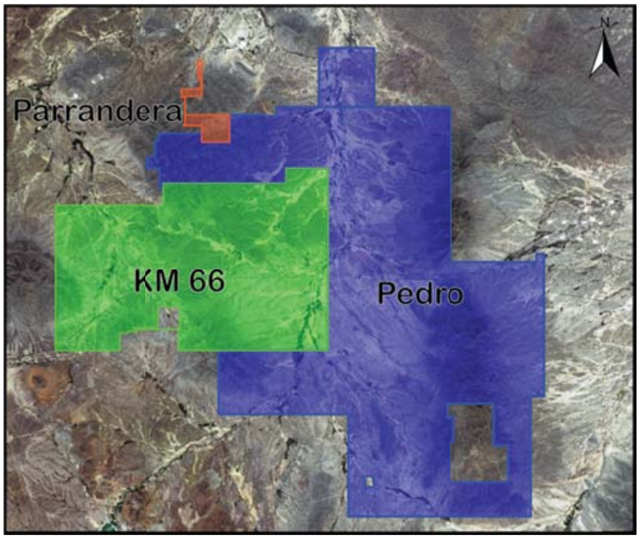
2.1 Milestones / Highlights

- Definition of Multiple Gold Targets at Mapimi (Sep 2012)
- Drilling commences at October Dome (Aug 2012)
- 2012 field program at Zymo and Flume commence (Jul 2012)
- Closed $400,000 flow-through financing (Jul 2012)
- Announced Parrandera drill results and elected to terminate associated option agreements (Jun 2012)
- Definitive agreement on KM66 Silver-Gold-Lead-Zinc Property (May 2012)
- Drilling commenced at Parrandera Gold-Copper Target (Apr 2012)
- Announced LOI to acquire KM66 Silver-Gold-Lead-Zinc Property (Mar 2012)
- Optioned VF claims to Aben Resources Ltd (Mar 2012)
- First royalty payments from Imperial (Feb 2012)
- Closed $180,000 private placement (Jan 2012)
- Appointment of Manager Corporate Relations (Dec 2011)
- HY-JAY property returns high grade gold (Dec 2011)
- Assay results from Zymo incl. 126m of 0.34% Cu & 0.28 g/t Au (0.54% Cu equivalent) (Dec 2011)
- Acquisition of HY claims (Nov 2011)

2.2 Mexico Exploration

In Mexico, the Company's focus is on the Mapimi Project (~40,000 hectares) in Durango, Mexico. The Mapimi Project is made up of an optioned property (Kilometer 66 ("KM66")) and the wholly owned Pedro ground. The Mapimi Project is located approximately 100 kilometres from the Penoles smelter at Torreon, is bisected by a paved highway and power lines. In June 2012, the Company elected to terminate its option agreements on the small (351 hectare) Parrandera property, which had formed part of the Mapimi Project.

Mapimi - KM66



In May 2012, the Company signed a definitive agreement to acquire a 100% interest in the 13,400 hectare KM66 silver-gold-lead-zinc property in Durango, Mexico (refer section 4.2). KM66 covers a five kilometre-long trend of mineralization that includes the La Gloria and Las Palmitas breccia-hosted epithermal silver-gold-lead-zinc deposits. Great Panther Silver Ltd. ("Great Panther") (who previously held an option to acquire KM66) filed a technical report containing a mineral resource estimate compliant with NI 43-101 for the La Gloria and Las Palmitas deposits titled "Technical Report on the Mapimi Project, Mexico" dated May 8, 2008 and prepared by Wardrop Engineering ("Wardrop") of Vancouver, B.C. (the "Technical Report") (a copy of the Technical Report can be found at www.sedar.com under the profile of Great Panther). The Technical Report calculated a total of 22,297,800 silver equivalent ounces (6,585,900 tonnes grading 28 g/t silver, 0.09 g/t gold, 0.41% lead, 1.14% zinc) in the indicated category and a further 6,305,000 silver equivalent ounces (2,027,900 million tonnes grading 34 g/t silver, 0.13 g/t gold, 0.54% lead, 0.81% zinc) in the inferred category using a cut-off grade of 50 g/t silver equivalent. Metal prices and recoveries used were US $9.55 per ounce and 76 per cent, respectively, for silver, US $530 per ounce and 70 per cent for gold, US $0.63 per pound and 80 per cent for lead, and US$1 per pound and 80 per cent for zinc.

Bearing cautions the reader that the resource prepared by Wardrop for Great Panther is considered a "historical estimate" under NI 43-101 and a qualified person from the Company has not done sufficient work to classify the historical estimate as a current mineral resource. In order to verify the historical estimate additional work may be required. This may include, but may not be limited to, re-evaluation and confirmation of previous drilling and assay results; validation of QA/QC (quality assurance/quality control) procedures and recalculation of the resource model using current metal price and recovery assumptions. Bearing is not treating the historical estimate as a current mineral resource.

In addition to the La Gloria and Las Palmitas resource areas, drilling by Great Panther identified quartz-molybdenite veins in the Bull's-Eye zone (186.22 metres grading 440ppm molybdenum) and carbonate replacement deposits in the North Zone (2.14 metres grading 2.98% zinc and 0.41% lead). The Bull's-Eye zone is defined by a 2,000-by-800-metre induced polarization anomaly with a magnetic high near its centre. The remainder of the property remains unexplored.

Mapimi- Pedro
The Company has also staked claims (~26,000 hectares) that are contiguous with the KM66 property.

Mapimi- Parrandera
In June 2011, the Company optioned the Parrandera gold-copper-zinc prospect through agreements with local Mexican vendors. The Parrandera options included a 49 hectare claim group and 302 hectare claim group. In June 2012, the Company terminated its option as the property did not meet the Company's exploration target criteria.

Table 1: Mexico Properties	Quarter								YTD	
	Q410	**Q111**	**Q211**	**Q311**	**Q411**	**Q112**	**Q212**	**Q312**	**2011**	**2012**
Camp & accommodation	-	-	3,541	9,799	23,055	18,550	22,417	20,606	13,340	61,573
Drilling	-	-	-	-	-	-	72,062	160,606	-	232,668
General & administration	28,942	1,040	33,472	11,147	67,513	23,603	32,827	195,885	45,659	252,316
Geology & geochemistry	96,877	30,848	73,877	75,838	87,099	81,559	94,142	143,254	180,563	318,956
Geophysics	-	-	-	-	-	24,725	15,472	(588)	-	39,609
Write-down (recoveries)	-	-	-	-	-	-	-	85,553	-	85,553
Total exploration	**125,819**	**31,888**	**110,890**	**96,785**	**177,667**	**148,437**	**236,920**	**605,316**	**239,563**	**990,675**
Acquisition costs (net)	-	-	-	77,375	2,608	15,509	5,821	63,188	77,375	165,417
Total exploration & acquisition	**125,819**	**31,888**	**110,890**	**174,159**	**180,275**	**163,946**	**242,741**	**668,504**	**316,937**	**1,156,092**

The costs prior to Q3 2011 include an allocation of costs from Valley High Ventures under the continuity of interests accounting principle and do not necessary reflect any actual expenditures. Camp & accommodation have increased in line with our increased work at Mapimi.

In June 2012, the Company announced the results from a 1,172m (7 hole) diamond drilling campaign on the optioned Parrandera gold-copper property, of which 483m had been completed by the end of Q2 2012. The results from this drill program did not meet the Company's exploration target criteria and the property was returned to its underlying vendors. For a full description of the drill results reference should be made to the Company's news release dated June 7, 2012. The costs of this program including assay costs are included within drilling costs in Q2 and Q3 2012.

General & administration include the provision for value added taxes ("VAT") in Mexico. The increase in Q4 2011 relates partially to a larger provision for value added taxes as a result of vehicle purchases. In Mexico, the Company includes a provision for VAT due to the uncertainty surrounding the timing and collectability of the amounts involved. The increase in Q3 2012 relates to the provision of VAT on the aforementioned drill program. It also includes the cost of running our Mexican exploration office.

Geology & geochemistry costs are principally comprised of our exploration team in Mexico. The higher costs in 2012 are partially explained by field assistants and other personnel for the exploration work on the Mapimi ground. Geophysics costs in Q1 and Q2 2012 stemmed from 12 line kilometres of induced polarization ("IP") and magnetics survey undertaken at Parranderra.

The write-down in Q3 2012 relates to the previously capitalized acquisition costs on the Parrandera optioned ground. The option was terminated in June 2012.

Acquisition costs in Q3 2011 and Q1 2012 relate to the option payments on the Parrandera property, which was subsequently dropped. The Q2 2012 costs relate to acquisition costs associated with Carreton and KM66. Q3 2012 acquisition costs include US$150,000 for KM66, net of write-offs associated with Parrandera has reduced the net acquisition costs (costs capitalised) for Q3 2012 to $63,188.

2.3 Zymo Copper-Gold Property, British Columbia, Canada

In June 2011 (Q3 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 project, located 45 kilometres west of the town of Smithers, British Columbia. 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 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 ($200,000 paid) and issuing 500,000 shares (200,000 issued) and completing exploration expenditures totalling $8 million over a five year period ($1.8m incurred to July 31). 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.

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 2: Zymo Properties			**Quarter**			**YTD**	
(Optioned Q311)	**Q311**	**Q411**	**Q112**	**Q212**	**Q312**	**2011**	**2012**
Camp & accommodation	34,172	206,762	1,176	575	34,293	34,172	36,043
Drilling	18,484	888,240	-	-	102,215	18,484	102,215
General & administration	52	10,606	-	-	-	52	-
Geology & geochemistry	37,894	116,595	30,664	1,403	340	37,894	32,407
Geophysics	19,291	201,054	2,550	-	-	19,291	2,550
Total exploration	**109,893**	**1,423,257**	**34,390**	**1,978**	**136,848**	**109,893**	**173,215**
Acquisition costs	180,000	-	-	-	125,000	180,000	305,000
Total exploration & acquisition	**289,894**	**1,423,257**	**34,390**	**1,978**	**261,848**	**289,894**	**478,215**

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 exploration program. Camp cost in Q3 and Q4 2011 include the cost of establishing a camp near the property and other accommodation costs associated with our 2011 exploration program that commenced in July 2011. The Q3 2012 costs are associated with the establishment of our 2012 exploration program that commenced in July 2012.

Drilling costs in Q4 2011 include the cost of the 11 holes (3,454 metres) of helicopter assisted diamond drilling and associated analytical costs. The drill results included a highlight hole of 126 metres at 0.54% copper equivalent (0.34% Cu and 0.28 g/t Au), for a complete understanding of the results reference should be made to the Company's news release dated December 8, 2011. Drilling costs for Q3 2012 include helicopter and field personnel costs associating with establishing the 2012 drill program. In August 2012 the Company completed a 6 hole (2,322 metre) drill program and is currently waiting for these results.

Geology and geochemistry costs include the costs associated with a soil stream sediment sampling and prospecting program. In Q1 2012, the geology and geochemistry costs relate to the costs of compiling and wrapping up the recent exploration program at Zymo. Geophysics includes the cost of approximately 30 km of line cutting and IP surveying that commenced in Q3 2011 and includes both a labour and helicopter component.

Acquisition costs in Q3 2011 include the payment of $100,000 and the fair value ($80,000) of 100,000 shares issued, Q3 2012 acquisition costs included the payment of $100,000 and the fair value ($25,000) of 100,000 shares issued under the option agreement with Eastfield (refer section 4.2).

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 July 31, 2012, the Company had incurred approximately $1.8 million in qualifying expenditures towards earn-in.

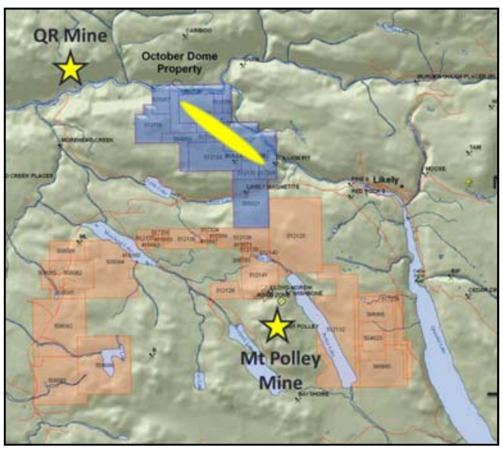
2.4 October Dome Property British Columbia, Canada

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 located 10km north of Imperial Metals Corporation's ("Imperial") Mt. Polley porphyry copper gold mine property and Barkerville Gold Mines Ltd.'s QR skarn gold mine property is located 7 km to the northwest. 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.

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.

The following table summarizes the quarterly and year to date expenditures on the October Dome property. Exploration and evaluation costs are expensed while the acquisition costs are capitalized.

Table 3: October Dome Properties	**Quarterly**								**YTD**	
	Q410	**Q111**	**Q211**	**Q311**	**Q411**	**Q112**	**Q212**	**Q312**	**2011**	**2012**
Camp & accommodation	-	-	-	5,925	3,247	-	-	-	5,925	-
Drilling	-	-	-	-	-	-	-	2,658	-	2,658
General & administration	-	-	2,393	2,930	14,409	4,531	3,491	15,000	5,323	23,021
Geology & geochemistry	-	27,644	14,599	32,402	3,755	915	230	1,916	74,645	3,061
Geophysics	-	-	-	-	-	-	-	-	-	-
Write-down (recoveries)	-	-	-	-	-	-	-	-	-	-
Total exploration	**-**	**27,644**	**16,992**	**41,257**	**21,411**	**5,446**	**3,721**	**19,574**	**85,892**	**28,740**
Acquisition costs	-	-	-	-	-	-	-	-		
Total acquisition & exploration	**-**	**27,644**	**16,992**	**41,257**	**21,412**	**5,446**	**3,721**	**19,574**	**85,892**	**28,740**



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, which is available on SEDAR.

General & administration in Q4 2011 include the costs of obtaining a multi-year exploration permit. Costs in 2012 relate to ongoing consultation costs and capacity funding with/ for First Nations in the area.

Geology & geochemistry costs include a soil sampling program (in Q1 2011), the costs associated with a NI43-101 report (in Q2 2011) and a soil sampling program that extended the known anomaly a further kilometer to southeast (in Q3 2011).

On Aug 28, 2012, the Company commenced a 1,000 metre (5 hole) diamond drill program designed to target the southern end of the 4 kilometre long gold and copper soil anomaly coincident with an induced polarization ("IP") chargeability anomaly. The drill program is expected to be completed in September.

2.5 Yukon Properties

In the Yukon, the Company owns the VF (2,900 hectares; optioned to Aben), BIG (2,740 hectares), JAY (5,350 hectares; partially optioned to Precipitate), VBA (1,660 hectares), VM (2,160 hectares) and HY (1,000 hectares) properties. It also holds the Flume property (3,680 hectares; optioned to RGC) located 60 km southwest of Dawson City, Yukon and 30 kilometres northwest of Kinross Gold Corporation's White Gold discovery.

In March 2012, the Company optioned the VF property to Aben Resources Ltd. ("Aben") whereby they could earn a 100% interest by making a total of $150,000 in cash payments ($30,000 paid) and issuing a total of 1 million Aben common shares over 4 years (100,000 issued) and incur $100,000 of exploration expenditures in the first year. Bearing will retain a 2% NSR on the VF property, of which Aben may purchase 1% for $1,500,000.

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 Jay East. To earn an initial 51% interest Precipitate must make cash payments totalling $480,000 ($30,000 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. Under the terms of the purchase agreement with Freeport-McMoran of Canada Limited ("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 and above the initial purchase consideration of $50,000 from disposition if the property is sold within the first year.

Under a June 2009 option agreement with Phelps Dodge Corporation of Canada Limited ("PDC"), the Company may 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"), 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 ($225,000 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.

In the Summer of 2011, RGC took a total of 1,510 soil samples from the Flume Property to complement the 2,493 soil samples taken in 2010. Anomalous gold-in-soil values greater than 100 ppb gold, the upper 1.8% of the gold-in-soil values, and up to a maximum of 1,916 ppb gold were identified over the claim blocks. With the encouraging soil results on this project, RGC plans further geological mapping of the area, extended grid soil sampling, as well as an initial drill program. RGC has budgeted to spend $1.8 million on Flume in 2012 and announced the commencement of this program in July 2012.

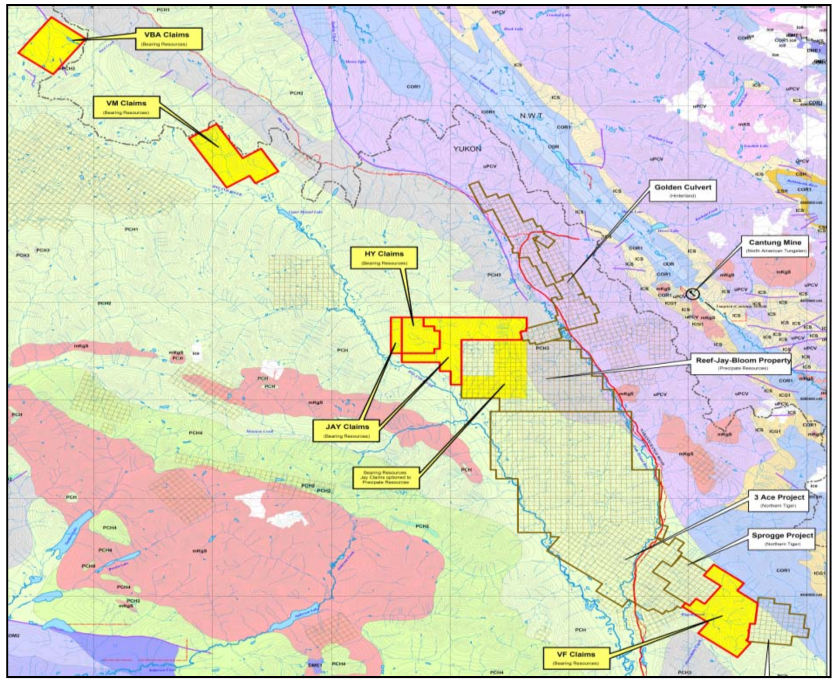
The following table summarizes the quarterly and YTD expenditures on the Company's Yukon portfolio. It does not include costs incurred by third parties on optioned properties. Exploration and evaluation costs are expensed while the acquisition costs are capitalized.

Table 4: Yukon Properties	**Quarterly**								**YTD**	
	Q410	**Q111**	**Q211**	**Q311**	**Q411**	**Q112**	**Q212**	**Q312**	**2011**	**2012**
Camp & accommodation	-	-	-	21,254	24,391	-	-	-	21,254	-
Drilling	-	-	-	-	-	-	-	-	-	-
General & administration	-	-	-	2,911	13,265	-	-	-	2,911	-
Geology & geochemistry	-	-	-	125,495	90,833	17,929	(3,697)	455	125,495	14,687
Geophysics	-	-	-	114,069	(201)	-	-	-	114,069	-
Write-down (Recoveries)	-	-	-	4,432	54	-	(19,673)	(33,750)	4,432	(53,423)
Total exploration	**-**	**-**	**-**	**268,162**	**128,343**	**17,929**	**(23,370)**	**(33,295)**	**268,162**	**(38,736)**
Acquisition costs (net)	-	-	47,225	(23,182)	53,780	-	(18,828)	(25,000)	24,043	(43,828)
Total acquisition & evaluation	**-**	**-**	**47,225**	**244,980**	**182,123**	**17,929**	**(42,198)**	**(58,295)**	**292,205**	**(82,564)**

In Q3 2011, field crews were mobilized to the BIG, VF, JAY and VBA properties, and the camp and accommodation costs in Q3 and Q4 2011 relate to the cost of establishing a base for the exploration program. Geology and geochemistry costs include the costs of geological mapping, prospecting and sampling on the Yukon properties and for full details reference should be made to news release dated December 12, 2011.

Q1 2012 costs principally relate to compilation and assessment reports on the underlying claims.

Geophysics costs include the expense of airborne magnetic and radiometric surveys totalling 1,240 line-kilometers completed over the VF and JAY claims in Q3 2011. Results indicate potential strong structural controls on both properties.



Recoveries relate to option payments received in excess of our cost base. In respect of Flume, the Company has zero carrying cost and in Q3 2011 and Q3 2012 recognized recoveries of $18,750 and $33,750 respectively. In Q3 2011, the Company disposed of certain claims in the Yukon and wrote off costs of $23,182, which offset the aforementioned recoveries. In Q2 2012, the Company received $30,000 in cash and 100,000 shares from Aben (market value: $8,500). Of this amount $18,827 was applied against previously deferred costs and $19,673 was recognized as a recovery.

Included within acquisition costs for Q4 2011 is the $50,000 payment to Freeport for the HY property (refer section 2.5)

2.6 Other Exploration Costs

Other Exploration Costs include the costs associated with our generative exploration programs in Canada and the 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 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 received three royalty payments between February and April 2012.

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

Table 5:	**Quarterly**								**YTD**	
Other Exploration	**Q410**	**Q111**	**Q211**	**Q311**	**Q411**	**Q112**	**Q212**	**Q312**	**2011**	**2012**
Camp & accommodation	-	-	-	-	-	-	-	-	-	-
General & administration	32,068	10,791	(2,397)	29,266	39,597	41,681	40,985	39,656	37,660	122,321
Geology & geochemistry	(23,856)	-	-	-	2,833	234	-	585	-	820
Geophysics	-	-	-	-	-	-	-	-	-	-
Write-down (recoveries)	-	-	-	-	-	-	-	-	-	-
Total exploration	**8,212**	**10,791**	**(2,397)**	**29,266**	**42,430**	**41,915**	**40,985**	**40,241**	**37,660**	**123,141**

Expensed exploration costs up to March 25, 2011 include those exploration costs from Valley High that 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.

3 OUTLOOK

In Mexico, the Company continues to focus its exploration efforts at its Mapimi project, targeting precious and base metal-rich systems analogous to Goldcorp's Penasquito and Camino Rojo deposits. The Company has recently completed an extensive soil and rock sampling program at Mapimi, which has led to the discovery of a number of new targets including the HP Breccia gold prospect, Las Lajas gold prospect and Victorinos gold-silver-lead-zinc prospect. A total of 1,124 soil samples and 297 rock samples have been collected on the project area.

The HP Breccia gold prospect, located on the Pedro property, is a gold soil anomaly (greater than 40 ppb gold) extending over a 1,800m by 600m area that coincides with extensive silicified sedimentary breccias hosted by the Caracol Formation, which is the key host rock to a number of other gold deposits in the Altiplano Region of Central Mexico including Goldcorp's Camino Rojo deposit. Of the total 108 rock samples collected at the HP Breccia prospect, 69 samples returned values greater than 0.1 g/t Au, of which 30 samples assayed greater than 0.3 g/t gold (to a maximum value of 2.26 g/t gold).

On the KM66 property, a total of 161 soil samples and 32 rock samples have been collected, primarily in the Victorinos prospect area which define a gold-silver-lead-zinc soil anomaly over an area of approximately 600 x 500 metres.

Previous work on the KM66 property had defined breccia hosted silver-gold-lead-zinc mineralization at the La Gloria and Las Palmitas prospects, for which a historic resource has been defined by a previous operator, as well as a soil anomaly at the North Zone. Ongoing work at Mapimi includes infill soil sampling between the La Gloria and North Zone soil grids, and additional sampling north of Victorinos where prospecting has identified a small feldspar porphyry stock. Fieldwork is expected to continue into the fall of 2012, and will include an Induced Polarization ("IP") geophysical survey over the HP Breccia prospect and additional surface sampling of the Victorinos prospect, in order to define drill targets.

In August 2012 field crews began infill soil sampling between the La Gloria and North Zone soil grids on the KM66 property. An additional 5-line grid was established north of Victorinos where prospecting identified a small feldspar porphyry stock. This work and additional low density grid soil sampling will continue on the Km66 property and other areas into the fall of 2012. Future work programs may include an IP geophysical survey of the HP and Victorinos area to further focus targeting for a potential 10 hole, 2,500m drill program tentatively planned for early in 2013. Re-logging La Gloria core and regional reconnaissance work is also expected to continue.

At the Zymo copper-gold porphyry property in British Columbia, the 2012 exploration program included 6 holes (2,322m): 3 holes at the Hobbes Zone ("Hobbes") including a deep test hole, 1 deep test hole at the FM Zone ("FM") and 2 holes at the RD Zone. Assay results from these holes will be released as they are received and evaluated.

At October Dome, the Company commenced a 1,000 metre (5 hole) diamond drill program that will target the southern end of a 4 kilometre long gold and copper soil anomaly coincident with an induced polarization ("IP") chargeability anomaly. The target area is extensively covered by overburden with limited bedrock exposure comprised of diorite and syenite intrusions and sediments. The drill program is expected to be completed in September.

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. The Company owns a production Royalty, on tonnes milled that are derived from a portion of the Boundary Zone, owned by Imperial Metals Ltd.

In the Yukon, Ryan Gold Corp is earning into a 51% interest in the Flume Property and in July 19, 2012 announced that it was undertaking 1,500 metres of drilling is planned to test soil anomalies identified in Ryan Gold's 2011 exploration program. A fence of 7 drill holes on the southern gold-in-soil anomaly is to be drilled to intersect geophysical lineaments, meta-sediments and intrusive stocks which may control and host gold mineralization. The Company awaits the results of this program.

The Company has also optioned a further two properties; the Jay East property to Precipitate Gold Corp. and the VF property to Aben Resources Ltd which are currently being advanced by the respective parties.

As of July 31, 2012, the Company had cash and cash equivalents of approximately $3.1 million (including $0.9m in 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 6: Assets ($)	October 31, 2010	October 31, 2011	July 31, 2012
Cash and cash equivalents	-	4,582,528	3,163,106
Accounts receivable and prepaid expenses	52,990	221,204	44,226
Investments	-	-	5,500
Mineral property interests	711,012	1,048,819	21,609
Reclamation bonds and deposits	11,500	21,505	54,835
Property, plant and equipment	16,393	67,448	1,187,914
Total Assets	**791,895**	**5,941,504**	**4,477,190**

Cash and cash equivalents include $942,555 in proceeds from flow-through financing which are designated for payment of qualifying exploration expenditures in Canada. Refer to Section 6 for further analysis of cash flow.

The decrease in accounts receivable and prepaid expenses is due principally to the receipt of Harmonized Services Tax (“HST”) associated with the Zymo exploration program, that was accrued for at year end.

Investments are comprised of 100,000 Aben common shares, that are marked to market, that were received as part of the VF option agreement (section 2.5)

Table 7: Mineral property interests ($)	October 31, 2010	October 31, 2011	July 31, 2012
Zymo	-	180,000	305,000
October Dome	555,057	555,057	555,057
Mt. Polley	40,836	40,836	13,325
Mexico (including Mapimi)	-	79,983	165,416
Other	115,119	192,943	149,116
Total Mineral property interest	**711,012**	**1,048,819**	**1,187,914**

Under the Company’s accounting policy only acquisition costs are deferred.

The costs deferred on Zymo represent the June 2011 and 2012, cash payments of $100,000 and the fair values of shares (100,000 in June 2011 and June 2012) issued in connection with the option agreement.

In Q1 2012, the Company has received three royalty payments from Imperial, based on tonnes mined from August to October 2011. The receipt of these royalties has been applied to deferred acquisition costs on the Mt Polley properties.

In Mexico, the Company carrying costs as of July 31, 2012 relate to acquisition costs associated with our wholly owned Pedro ground and option payments on KM66. During the quarter the Company wrote off the deferred acquisition costs with respect to the Parrandera optioned properties.

Other mineral property interests are comprised principally of acquisition costs in the Yukon. The reduction in Q2 2012 is due to the receipt of funds from Aben on the VF project.

4.2 Liabilities and Commitments

Table 8: Liabilities ($)	October 31, 2010	October 31, 2011	July 31, 2012
Accounts payable and accrued liabilities	-	355,667	216,961
Premium liability	-	69,465	102,806
Total Liabilities	**-**	**425,132**	**319,767**

Accounts payable and accrued liabilities decreased due to the completion of the exploration program at Zymo for 2011 and associated payment of those expenses in Q1 2012. This has been partially offset by start-up of the 2012 exploration program at Zymo.

The Premium liability arises from the flow-through financing that was conducted in July 2011. The initial liability for the July 2011 financing was established at $233,658 of which $182,949 has been drawn down.

Commitments

Table 9: Cash Commitments Schedule per Fiscal Year, as at July 31, 2012 ($)(1)	2012 (paid)	2012	2013	2014	Thereafter
Zymo (*to earn 51% excludes commitments & shares*)	100,000	-	100,000	100,000	100,000
KM66- US$ (Note 6)	150,000		150,000	150,000	8,775,000
Lease commitments	23,904	11,952	47,808	11,952	-

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

KM66:
In May 2012, the Company entered into an agreement to acquire a 100% interest in the 13,400 hectare KM66 silver-gold-lead-zinc property under the terms of the agreement BRZ can earn a 100% interest, subject to a 3% NSR the Company shall pay: US$150,000 on signing (paid); US$150,000 on the first anniversary of signing; US$150,000 on the second anniversary; US$400,000 on the third anniversary; US$500,000 on the fourth anniversary; US$7,875,000 at the end of year five.

At the Company's election it may purchase the property outright after two years for US$5,575,000 or after three years for US$5,875,000 or after four years for US$6,875,000. The Company may purchase up to 1% of the NSR for US$650,000 per half percent and holds a first right of refusal to purchase the remaining 2%.

Zymo:
To earn an initial 51% interest, Bearing must make cash payments totalling $500,000 ($200,000 paid) and issue 500,000 (200,000 issued) Bearing shares and complete exploration expenditures totalling $8 million ($1.8 million incurred) 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.

4.3 Equity and Financing

Table 10: Shareholders' Equity ($)	October 31, 2010	October 31, 2011	July 31, 2012
Common shares	-	8,094,885	8,678,268
Contributed surplus	4,169,805	4,407,606	4,752,449
AOCI	-	(5,999)	(11,802)
Deficit (refer to section 5)	(3,430,900)	(6,980,120)	(9,209,395)
Total Shareholders' Equity	**738,905**	**5,516,372**	**4,209,520**

In January 2012, the Company completed a 428,572 unit offering for gross proceeds of $180,000. Each unit was comprised of one common share and one half of a common share purchase warrant. The units were 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 January 18, 2018 an exercise price of $0.60.

In July 2012, the Company closed a $0.4 million non-brokered private placement consisting of 2,000,000 flow-through common shares priced a $0.20 and issued 100,000 shares to Eastfield.

The increase in contributed surplus arises from the aforementioned financing January 2012 and the continuing expensing of the fair value of stock options.

Table 11: Shareholders' Equity ($)	October 31, 2010	October 31, 2011	July 31, 2012
Common shares	*Non-applicable as Company was only spun-out of Valley High on March 25, 2011*	23,361,076	25,889,648
Options outstanding			
Number		2,090,000	2,305,000
Weighted average price		$0.72	$0.69
Warrants outstanding			
Number		4,166,663	214,286
Weighted average price		$0.60	$0.60
Market capitalization		$12.1 million	$5.4 million
Share price		$0.52	$0.21

Table 12: - Use of Proceeds Table

Description	Shares (000's)	Price CA$	Gross Proceeds ($000's)	Intended Use	Actual Use
July 11, 2011- Flow Through and Unit Issuance	14,386	$0.42	6,000	Exploration and working capital	As intended
January 18, 2012- Unit Offering	429	$0.42	180	Working capital	Pending
July 20, 2012 – Flow Through Offering	2,000	$0.20	400	Exploration	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 13: Expenditures ($000's)	Quarterly								YTD	
	Q410	Q111	Q211	Q311	Q411	Q112	Q212	Q312	2011	2012
Revenues	-	-	-	-	-	-	-	-	-	-
Exploration expenditures (Table 14)	134	70	126	545	1,821	248	260	769	741	1,277
Other expenses										
Audit, filing and legal Fees	-	-	2	121	210	33	43	9	124	85
Consulting and labour	46	15	32	111	134	143	138	114	158	395
Depreciation and amortization	4	3	1	2	3	6	6	6	6	18
Finance Income	-	-	-	(4)	(17)	(16)	(12)	(7)	(4)	(34)
FT premium recognition	-	-	-	-	(164)	(5)	-	(14)	-	(19)
Other costs	10	7	19	3	3	7	5	2	29	14
Rent and office costs	5	5	11	30	41	32	26	14	46	72
Share-based payments	-	-	-	267	140	126	111	91	267	328
Unrealized loss on investment	-	-	-	-	-	-	2	1	-	3
Travel and promotion	34	25	5	10	2	23	43	25	39	90
Total other expenses	99	55	70	540	352	349	362	241	665	952
Net loss	**233**	**125**	**196**	**1,085**	**2,145**	**597**	**622**	**1,010**	**1,405**	**2,229**
Basic loss per share	**Non-applicable**			**$0.09**	**$0.09**	**$0.03**	**$0.03**	**$0.04**	**$0.26**	**$0.09**

Exploration expenditures for Q3 2012 are principally comprised of $605,316 from Mexico (Section 2.2).

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 Q4 2011 legal fees costs were one-off reimbursements arising from the Arrangement. Q1 and Q2 2012 include annual filing fees and AGM costs.

Consulting and labour increased from Q3 2011 as the Company has established itself as a separate operating entity.

Finance income is comprised of interest income on the Company's cash and cash equivalents.

The FT premium recognition arises from incurring Canadian exploration expenditures that were used to offset the flow-through share premium liability. These losses were renounced to the underlying shareholders in February 2012 and a full valuation allowance would have been taken on these losses had they not been incurred under the flow-through share program. The significant recognition in Q4 2011 is consistent with the flow-through spend on the Zymo project in Q4 2011. The Q3 2012 recognition is consistent with the start of the 2012 exploration program at Zymo.

Rent and office costs include insurance and communication costs. Share-based payments is as a result of the first time grant of options in Q3 2011 and one-third of these options vesting immediately and therefore one-third of their fair value was immediately expensed.

Travel and promotion expenses have increased in Q1 & Q2 2012 as a result of the appointment of a Manager of Corporate Relations.

In Q3 2012, administration costs in Mexico were allocated from other costs to exploration costs to better reflect the nature of these expenses, this has resulted in a decrease in audit, filing and legal fees, consulting and labour and rent and office costs. The corresponding increase is reflected in general and administrative exploration expenses for the quarter.

Table 14: Expensed Exploration	Quarterly								YTD	
($000's)	**Q410**	**Q111**	**Q211**	**Q311**	**Q411**	**Q112**	**Q212**	**Q312**	**2011**	**2012**
Camp & accommodation	-	-	4	71	257	20	23	55	75	98
Drilling	-	-	-	18	888	-	72	265	18	337
General & administration	62	12	33	46	145	69	77	252	91	398
Geology & geochemistry	72	58	89	272	301	132	92	146	419	370
Geophysics	-	-	-	133	200	27	16	(1)	133	42
Write-down (recoveries)	-	-	-	4	-	-	(20)	52	4	32
Total	**134**	**70**	**126**	**545**	**1,791**	**248**	**260**	**769**	**741**	**1,277**
By Project:										
Mexico	126	32	111	97	177	148	237	605	240	991
Zymo	-	-	-	110	1,423	34	2	137	110	173
October Dome	-	27	17	41	21	6	4	19	85	29
Yukon	-	-	-	268	128	18	(24)	(33)	268	(39)
Other	8	11	(2)	29	42	42	41	41	38	123
Total	**134**	**70**	**126**	**545**	**1,791**	**248**	**260**	**769**	**741**	**1,277**

Expensed exploration costs in Q3 and Q4 2011 were higher as a result of the work programs at Zymo (refer to section 2.3) and work programs in the Yukon (refer to section 2.4). The increase in Q3 2012 relates to the start of the 2012 exploration program at Zymo and the drilling completed at Parrandera. Camp costs reflect the costs of running these programs. Drilling costs include 3,454m of helicopter supported drilling and associated assay costs at Zymo in Q3 and Q4 2011. Geophysics costs in Q3 2011 principally relate to our Yukon projects, Q4 2011 costs relate to Zymo and Q1 and Q2 2012 costs relate to Parrandera.

Recoveries in Q2 2012 relate to proceeds from Aben that exceed the Company's deferred acquisition costs. The write-down in Q3 2012 is for the costs on the Parrandera property which were offset by recoveries on the Flume property of $33,750.

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 for Q3 2012 was $ 756,432 (Q311: $662,620) was due principally to the exploration program in Mexico. Cash inflow from financing activities was $396,510 (Q311: $5,936,697) the previous inflow was from funding from Valley High for the Bearing Business. Cash outflow from investing activities was $242,739 (Q311: $235,864) which was principally related to proceeds from the VF option agreement.

Year to Date:
Cash outflow from operating activities was $ 1,781,147 (2011: $997,022) was due principally to the exploration program in Mexico, payment of costs associated with Zymo and corporate costs. Cash inflow from financing activities was $575,194 (2011: $8,034,109) the previous inflow was from funding from Valley High for the Bearing Business. Cash outflow from investing activities was $211,894 (2011: $235,864) which was principally related to proceeds from the VF option agreement and Imperial royalty payments.

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 ended January 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 three months ended January 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 July 31, 2012. 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 July 31, 2012, 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 Other Risks

Reference should be made to the Company's risks and critical accounting policies and practices section of the October 31, 2011, Management Discussion and Analysis for a complete discussion on the risk factors associated with **Government Laws, Regulation & Permitting; Additional Financings; Key Management and Competition; Title to Properties; Commodity Prices and Conflicts of Interest** amongst other things.

8.4 NI 43-101 Compliance Requirements

Under National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"), if an issuer disclosures in writing scientific or technical information about a mineral project on a property material to the issuer, the issuer must include in the written disclosure the name and the relationship to the issuer of the qualified person who: (a) prepared or supervised the preparation of the information that forms the basis for the written disclosure or (b) approved the written disclosure. For the purposes of this MD&A, Robert Cameron, PGeo, Vice-President of Business Development, a geologist with more than 30 years of experience is the Qualified Person for the purposes of NI 43-101 has approved the written disclosure in this MD&A. This MD&A references a number of previous new releases in respect of disclosure of technical matters relating to mineral properties and reference should be made to these news releases to fully understand these references.

8.5 Critical Accounting Policies

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.

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.

Other Accounting Policies

Reference should be made to the risks, and critical accounting policies and practices section of the October 31, 2011 Management Discussion and Analysis for other accounting policies including but not limited to **Foreign currency translation; Income taxes; Flow-through common shares; Loss per share; Valuation of equity units; Financial Instruments and Future accounting pronouncements;**

The functional currency of the Bearing is the Canadian dollar.

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