BEARING RESOURCES LTD.

(An Exploration Stage Company)

Consolidated Financial Statements

For the Year ended October 31, 2012

(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.

“*Robert Cameron*”
President and Chief Executive Officer

“*Damian Towns*”
Chief Financial Officer

December 19, 2012

pwc

December 19, 2012

Independent Auditor's Report

To the Shareholders of Bearing Resources Ltd.

We have audited the accompanying consolidated financial statements of Bearing Resources Ltd., which comprise the consolidated statements of financial position as at October 31, 2012 and 2011 and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flow for the years ended October 31, 2012 and October 31, 2011, 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 audits. We conducted our audits 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 audits 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. as at October 31, 2012 and 2011 and their financial performance and their cash flows for the years ended October 31, 2012 and 2011 then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the corporation's ability to continue as a going concern

Signed "PricewaterhouseCoopers LLP"

Chartered Accountants

PricewaterhouseCoopers LLP
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Bearing Resources Ltd.

Consolidated Statement of Financial Position

As at October 31, 2012 and 2011

(Expressed in Canadian dollars, except where indicated)

	2012 $	2011 $
Assets		
Current assets		
Cash and cash equivalents (note 5)	1,890,547	4,582,528
Accounts receivable and prepaid expenses	112,381	221,204
Investments (note 7)	3,000	-
	2,005,928	4,803,732
Non-current assets		
Reclamation bonds and deposits	21,660	21,505
Mineral property interests (note 8)	884,888	1,048,819
Property, plant and equipment (note 9)	48,952	67,448
	2,961,428	5,941,504
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	120,578	355,667
Flow through share premium liability (note 10)	-	69,465
	120,578	425,132
Shareholders' Equity		
Common shares	8,677,789	8,094,885
Contributed surplus	4,858,379	4,407,606
Accumulated other comprehensive income ("AOCI")	(8,470)	(5,999)
Deficit	(10,686,848)	(6,980,120)
	2,840,850	5,516,372
	2,961,428	5,941,504

Nature of operations and going concern (note 1)
Contingencies (note 16)
Subsequent events (note 17)

Approved by the Board of Directors

"Brian Bayley"
Director

"Damian Towns"
Director

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

Bearing Resources Ltd.

Consolidated Statement of Loss and Comprehensive Loss

As at October 31, 2012 and 2011

(Expressed in Canadian dollars, except where indicated)

Expenditures	**2012**	**2011**
	$	**$**
Exploration		
Camp & accommodation	185,759	295,752
Drilling	1,031,733	906,724
General & administration	513,473	273,391
Geology & geochemistry	454,978	719,712
Geophysics	42,213	334,214
Mineral property write-downs (net of recoveries) (note 8)	337,130	4,486
	2,565,286	2,534,279
Corporate and other costs		
Audit, filing and legal fees	103,370	333,916
Consulting and labour	453,226	291,509
Depreciation and amortization (note 9)	24,212	8,243
Finance income	(37,469)	(21,454)
Flow through premium recognition (note 10)	(69,466)	(164,192)
Other costs	20,798	31,923
Rent and office costs	94,727	87,424
Share-based payment expense	433,962	406,517
Unrealized loss on held-for-trading investment	5,500	-
Travel and promotion	112,582	41,055
	1,141,442	1,014,941
Loss for the year	3,706,728	3,549,220
Other comprehensive income		
Foreign currency translation adjustment	2,471	5,999
	2,471	5,999
Comprehensive loss for the year	3,709,199	3,555,219
Basic and diluted loss per share ($ per share)	$0.15	$0.36
Weighted average shares outstanding (000's)	24,294	9,969

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, 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
Issuance of seed shares	1	1	-	-	-	1
Valley High Funding (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 10)	14,385,714	5,519,221	-	327,121	-	5,846,342
Share Issuance costs	-	(64,811)	-	-	-	(64,811)
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
Share Issuances (note 10)	2,528,572	588,189	-	16,811	-	605,000
Share Issuance costs	-	(5,285)	-	-	-	(5,285)
Share-based payments	-	-	-	433,962	-	433,962
Comprehensive income (loss)	-	-	(3,706,728)	-	(2,471)	(3,709,199)
Balance – October 31, 2012	25,889,648	8,677,789	(10,686,848)	4,858,379	(8,470)	2,840,850

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

Bearing Resources Ltd.

Consolidated Statement of Cash Flow

For the years ended October 31, 2012 and 2011

(Expressed in Canadian dollars, except where indicated)

	2012 $	2011 $
Cash flows from operating activities		
Loss for the year	(3,706,728)	(3,549,220)
Items not affecting cash		-
Depreciation and amortization	24,212	8,243
Flow through premium recognition	(69,466)	(164,192)
Share-based payment expense	433,962	406,517
Unrealized loss on held-for-trading investment	5,500	-
Mineral property write-downs	390,553	23,182
	(2,921,967)	(3,275,470)
Change in non-cash operating working capital		
Decrease (increase) in accounts receivable & prepaid expenses	105,796	(236,755)
Increase (decrease) in accounts payable & accrued liabilities	(235,088)	355,666
	(3,051,259)	(3,156,559)
Cash flows from financing activities		
Share issuances, net (note 10)	574,715	5,935,189
Funding provided by Valley High (note 2)	-	297,412
Cash from Plan of Arrangement (note 2)	-	1,800,000
	574,715	8,032,601
Cash flows from investing activities		
Mineral property acquisition costs	(244,396)	(270,013)
Mineral property reimbursements	37,838	36,250
Payments to acquire capital assets	(5,322)	(59,299)
	(211,880)	(293,062)
Effect of exchange rate changes on cash and equivalents	(3,557)	(452)
Increase in cash and cash equivalents	(2,691,981)	4,582,528
Cash and cash equivalents - Beginning of year	4,582,528	-
Cash and cash equivalents - End of year	1,890,547	4,582,528

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

1 Nature of operations and going concern

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. 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.

Going concern

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the year ended October 31, 2012, the Company reported a loss of $3.7 million and as at that date had a net working capital balance of $1.9 million and an accumulated deficit of $10.7 million. The Company has a number of financing alternatives available to it. In November 2012, the Company announced a Letter of Intent with Patriot Minefinders Ltd (note 17) which would significantly reduce the holding costs associated with the KM66 property. In addition, in the New Year the Company intends to consider the availability of additional financings either through equity offerings, additional option agreements or potential royalty agreements. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding from loans or equity financings or through other arrangements. The success of such initiatives cannot be assured. These conditions and events cast significant doubt on the validity of the going concern assumption.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

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 transferred 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 was 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.

(Expressed in Canadian dollars, except where indicated)

2 Plan of arrangement (continued)

The carrying value of assets acquired pursuant 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. 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 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.

4 Significant accounting policies

Basis of presentation
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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. These financial statements were authorized for issue by the Board of Directors on December 19, 2012.

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.

4 Significant accounting policies (continued)

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 they operate. 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. 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.

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, other than property acquisition 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.

4 Significant accounting policies (continued)

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.

Valuation of equity units
The Company has adopted a pro-rata method for the measurement of shares and warrants issued as units in financing arrangements. The pro-rata 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.

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.

4 Significant accounting policies (continued)

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, reclamation bonds and deposits
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 also classified as loans and receivables.

c) 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.

d) 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, except where indicated. The Company does not believe that these amendments will have a significant impact on the Company.

(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. The effective date of IFRS 9 is January 1, 2015.

(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.

4 Significant accounting policies (continued)

Future accounting pronouncements (continued)

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 jointly controlled entities. 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, including subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosures 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.

(Expressed in Canadian dollars, except where indicated)

5 Cash and cash equivalents

$	2012	2011
Cash	354,272	176,191
Cash equivalents	1,536,275	4,406,337
	1,890,547	4,582,528

In July 2012, the Company completed flow-through financings for gross proceeds of $400,000 (note 10). At October 31, 2012 $187,287 in flow-through funds are included within cash and cash equivalents. 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 without financial penalty.

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 was required to make cash payments totalling $500,000 ($200,000 paid), issue 500,000 shares (200,000 issued) and complete exploration expenditures totalling $8 million over a five year period. This option agreement was formally terminated subsequent to year end. As a result of the decision to terminate the option agreement, the Company wrote off capitalized acquisition costs of $305,000 (note 8).

Mapimi Area, Durango, Mexico:
In Mexico, the Company's focus is on the Mapimi area of Durango. The Mapimi area is made up of an optioned claim (Kilometer 66 ("KM66")) and the wholly owned Pedro Property.

<u>KM66</u>
In May 2012, the Company signed an 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, Bearing can earn a 100% interest, subject to a 3% NSR, by making staged payments as follows: US$150,000 on signing (paid); US$150,000 on the first anniversary of signing; US$150,000 on the second anniversary of signing; US$400,000 on the third anniversary of signing; US$500,000 on the fourth anniversary of signing and 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, after three years for US$5,875,000 or after four years for US$6,875,000. The Company may also purchase up to 1% of the NSR for US$650,000 per half percent and holds a first right of refusal with respect to the remaining 2%.

<u>Pedro</u>
The Company has staked additional claims covering approximately 26,000 hectares that are contiguous with KM66.

6 Exploration costs (continued)

Parrandera
In June 2011, the Company optioned the Parrandera gold-copper-zinc properties in the Mapimi region. 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 hectare 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 and wrote off capitalized acquisition costs of $85,553.

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 to Bearing under the terms of 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 ($75,000 paid; 2013: $150,000) and by spending $500,000 (incurred) on exploration over four years. PDC 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”), 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).

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), Hy (1,000 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

6 Exploration costs (continued)

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 2012, the Company optioned the VF property to Aben Resources Ltd. ("Aben") whereby Aben can earn a 100% interest by making a total of $150,000 in cash payments ($30,000 paid), issuing a total of 1 million Aben common shares over 4 years (100,000 issued) and completing $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 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.

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 on material 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 for a payment of $1,000,000. The Company is entitled to 90% of the aforementioned royalties. The Mt. Polley properties were transferred to Bearing under the terms of 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 year ended October 31, 2012
$	**Zymo**	**OctDome**	**Yukon**	**Mexico**	**Other**	**Total**
Camp & accommodation	108,680	1,069	-	76,010	-	185,759
Drilling	619,126	178,337	-	234,270	-	1,031,733
General & administration	-	28,086	-	330,802	154,585	513,473
Geology & geochemistry	32,407	3,752	14,281	403,275	1,263	454,978
Geophysics	2,550	-	-	39,663	-	42,213
Write-downs (recoveries)	305,000	-	(53,423)	85,553	-	337,130
	1,067,763	211,244	(39,142)	1,169,573	155,848	2,565,286

						For the year ended October 31, 2011
$	**Zymo**	**OctDome**	**Yukon**	**Mexico**	**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

7 Investments

$	**2012**	**2011**
Held for trading – 100,000 Aben shares	3,000	-

In March 2012, the Company received 100,000 common shares of Aben in conjunction with the option agreement on the VF property (note 6).

(Expressed in Canadian dollars, except where indicated)

8 Mineral properties

$	Zymo	OctDome	Mt Polley	Mexico	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	(305,000)	-	-	(85,553)	-	(390,553)
Property payments received	-	-	(27,511)	-	(43,827)	(71,338)
Exchange differences	-	-	-	3,564	-	3,564
October 31, 2012	-	555,057	13,325	167,390	149,116	884,888

Under the Company’s accounting policy all acquisition costs are capitalized until the property is placed into production or disposed of (note 4).

(Expressed in Canadian dollars, except where indicated)

9 Property, plant and equipment

$	Vehicles	Other	Total
Cost			
November 1, 2010	-	16,393	16,393
Additions	43,869	13,745	57,614
October 31, 2011	**43,869**	**30,138**	**74,007**
Accumulated depreciation			
November 1, 2010	-	-	-
Depreciation expense	(3,547)	(4,696)	(8,243)
Exchange differences	1,684	-	1,684
October 31, 2011	**(1,863)**	**(4,696)**	**(6,559)**
Net book value			
November 1, 2010	-	16,393	16,393
October 31, 2011	**42,006**	**25,442**	**67,448**
Cost			
November 1, 2011	43,869	30,138	74,007
Additions	-	5,322	5,322
Exchange differences	541	-	541
October 31, 2012	**44,410**	**35,460**	**79,870**
Accumulated depreciation			
November 1, 2011	(1,863)	(4,696)	(6,559)
Depreciation expense	(13,647)	(10,565)	(24,212)
Exchange differences	(147)	-	(147)
October 31, 2012	**(15,657)**	**(15,261)**	**(30,918)**
Net book value			
November 1, 2011	42,006	25,442	67,448
October 31, 2012	**28,753**	**20,199**	**48,952**

(Expressed in Canadian dollars, except where indicated)

10 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 was 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 was under the obligation to renounce tax losses on the financing and recognized an initial premium liability of $233,658. At October 31, 2012 the Company had released all (Oct 31, 2011: $164,193) of this liability by incurring 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 a $180,000 non-brokered 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.

Capital risk management

The Company considers its common shares and options as capital. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore and develop its projects for the benefit of its stakeholders.

11 Share stock options and warrants

Options

The Company has a stock option plan (the "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 the Plan.

	2012		2011	
	Number of shares	Weighted average exercise price $	Number of shares	Weighted average exercise price $
Outstanding - October 31	2,090,000	0.72	-	-
Granted	220,000	0.38	2,090,000	0.72
Forfeited	(53,333)	0.72	-	-
Expired	(1,667)	0.72		
Outstanding - October 31	2,255,000	0.69	2,090,000	0.72

(Expressed in Canadian dollars, except where indicated)

11 Share stock options and warrants (continued)

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

Number of options Outstanding	Number of options vested and exercisable	Exercise price $	Expiry Date
2,035,000	1,389,999	0.72	July 12, 2016
220,000	73,333	0.38	December 16, 2016
2,255,000	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 year ended October 31, 2012 total share-based compensation expense was $433,962 (2011: $406,517).

Warrants

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

At October 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% to 133%	100%
Expected dividend	nil	nil

(Expressed in Canadian dollars, except where indicated)

12 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 relate to the Bearing Business prior to March 25, 2011.

$	2012	2011
Short-term employee benefits	485,557	338,416
Share-based payment expense	155,588	135,259
Total key management personnel	641,145	473,675

13 Geographic segmented information

The Company operates in a single operating segment, mineral exploration. The following table provides geographic information.

$	Mexico	Canada	Total
October 31, 2012			
Loss for the year	163,041	3,543,687	3,706,728
Non-current assets	199,225	756,275	955,500
Total assets	242,448	2,718,980	2,961,428
Total liabilities	23,274	97,304	120,578
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	31,677	393,455	425,132

14 Income taxes

	2012		2011	
	$	%	$	%
Earnings (loss) before tax	3,706,728	100	3,549,220	100
Income taxes at statutory rates	926,682	25	940,543	27
Difference in foreign tax rates	50,855	1	15,697	-
Non-deductible expenses	(134,570)	(4)	(158,527)	(3)
Tax benefits to be renounced	(232,521)	(6)	(439,188)	(12)
Effect of change in tax rates	6,871	0	-	-
Unrecognized tax benefits	(617,317)	(16)	(358,525)	(12)
Income tax recovery	-	-	-	-

(Expressed in Canadian dollars, except where indicated)

14 Income taxes (continued)

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

	2012 $	**2011** $
Mineral property interest	574,715	330,936
Operating losses carried forward	790,089	267,199
Share issuance costs	10,779	12,962
Deferred income tax asset	-	-
Unrecognized deferred tax asset	1,375,583	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	-	57,497	57,497
2021	-	434,543	434,543
Thereafter	1,398,438	976,224	2,374,662
Total	1,398,438	1,468,264	2,866,702

15 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, 2012, the Company's held-for-trading investment in Aben, has been measured at fair value on a recurring basis and are classified as as "Level 1".

Fair Values
As at October 31, 2012, the Company's carrying values of cash and cash equivalents, accounts receivable, and reclamation bonds and deposits are designated as loans and receivables and approximate their fair values due to their short term to maturity.

The fair value of the Company's accounts payable and accrued liabilities may be significantly lower than the carrying value given the company's going concern uncertainty and the fair value is not readily determinable.
The Company has no financial assets or liabilities classified as held-for-trading or available-for-sale, other than the Aben shares.

15 Financial instruments (continued)

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, 2012. A 100 basis point (1%) increase or decrease in the interest rate in 2012 would have resulted in approximately a $32,365 change in the Company's reported loss for the year ended October 31, 2012 based on its closing balance 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. Additional information related to liquidity risk is disclosed in note 1.

Currency Risk
As at October 31, 2012 the Company incurs expenses in Canadian dollars, Mexican pesos and United States dollars. The Company therefore has exposure to United States dollars as the functional currencies of the Company and its Mexican subsidiaries are Canadian dollars and Mexican pesos respectively.

Based on the net exposure as at October 31, 2012, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the United States dollar would have no significant impact on the Company's net loss for the fiscal year.

16 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 6).

17 Subsequent Events

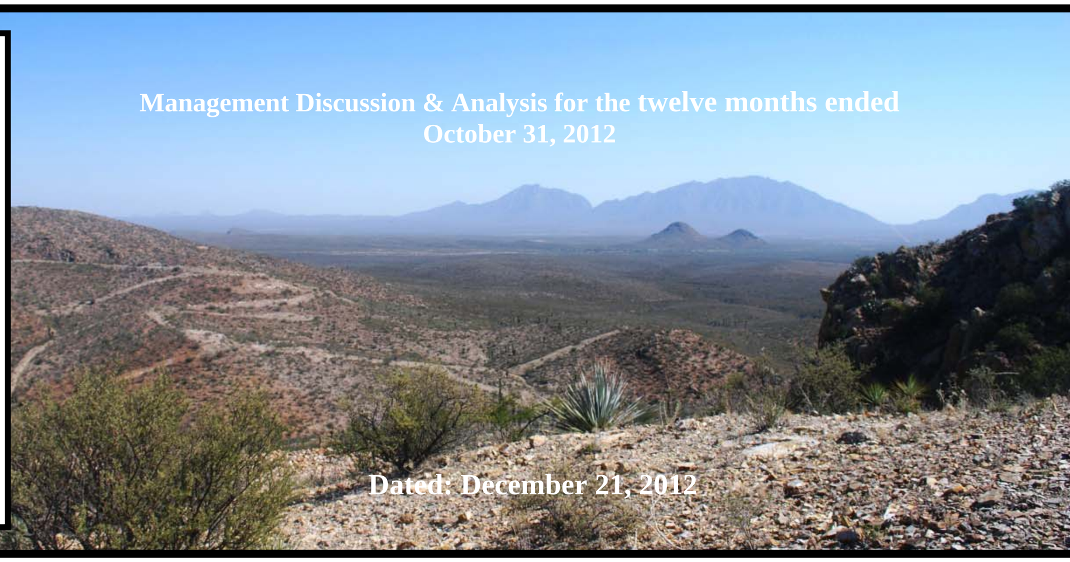
In November the Company entered into a letter of intent ("LOI") with Patriot Minefinders Ltd ("Patriot") whereby Patriot may earn up to a 75% interest in the 13,400 hectare Kilometer 66 ("KM66") silver-gold-lead-zinc property located in Durango, Mexico. Under the terms of the LOI the companies will complete a Definitive Agreement that will include the following terms. Patriot will be granted the right to earn a 75% interest in the property by assuming the remaining obligations of the underlying option agreement, which are to be paid to Bearing in advance of the underlying option agreement: US$150,000 on signing the Definitive Agreement; US$150,000 on the first anniversary of signing; US$400,000 on the second anniversary of signing; US$500,000 on the third anniversary of signing and US$7,875,000 on the fourth anniversary

Patriot may also exercise Bearing's rights under the original agreement to purchase the property outright on the first anniversary for US$5,575,000 or after the second anniversary for US$5,875,000, or after the third anniversary for US$6,875,000. Patriot may also exercise Bearing's rights to purchase up to 1% of the underlying Net Smelter Royalty ("NSR") for US$650,000 per half percent and will hold a first right of refusal to purchase the remaining 2% NSR.

In addition, Patriot must undertake work expenditures totaling US$2,000,000 before April 23, 2015 of which US$200,000 must be completed before April 23, 2013 (firm commitment), maintain the property in good standing, complete a bankable feasibility study by the eighth anniversary and pay to Bearing on signing of the Definitive Agreement 1,200,000 shares of Patriot. Should Patriot complete all its work commitments and payment obligations but fail to prepare a bankable feasibility study by the eighth anniversary it shall be deemed to have earned a 65% interest.

Completion of the transaction is subject to a number of conditions, including the negotiation and execution of a Definitive Agreement and regulatory approvals.

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, 2012, and 2011, 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 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 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. Robert Cameron is the President and CEO of the Company and has over 30 years of experience in the mining industry. The Executive Chairman of the Board is Geoff Chater, who has over 23 years in the mining industry. The Lead Independent Director is David Watkins, an Independent Director with over 42 years in the mining industry. Robert Cameron assumed the President and CEO role from Geoff Chater in October 2012.

2 MILESTONES & PROJECTS UPDATE

2.1 Milestones / Highlights

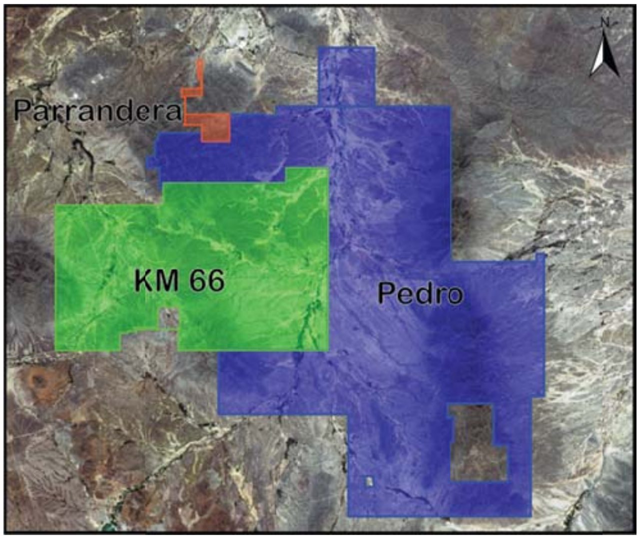
- Announced KM66 Letter of Intent (Nov 2012)
- Announced October Dome Drill Results (Nov 2012)
- Terminated Zymo Option Agreement (Oct 2012)
- Appointed Robert Cameron, President and CEO (Oct 2012)
- Definition of Multiple Gold Targets at Mapimi (Sep 2012)
- October Dome Drilling Commenced (Aug 2012)
- 2012 field programs at Zymo and Flume commence (Jul 2012)
- $400,000 flow-through financing (Jul 2012)
- Announced Parrandera drill results and terminated associated option agreements (Jun 2012)
- Acquisition of KM66 Silver-Gold-Lead-Zinc Property (May 2012)
- Parrandera Drilling Commenced (Apr 2012)
- Optioned VF claims to Aben Resources Ltd (Mar 2012)
- Imperial First royalty payments (Feb 2012)
- $180,000 private placement (Jan 2012)
- 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 Area (~40,000 hectares) in Durango, Mexico. The Mapimi Area is made up of an optioned property (Kilometer 66 ("KM66")) and the wholly owned Pedro ground. The Mapimi Area is located approximately 100 kilometres from the Penoles smelter at Torreon, which 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 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.

In November the Company entered into a letter of intent ("LOI") with Patriot Minefinders Ltd ("Patriot") (OTCBB:PROF) whereby Patriot may earn up to a 75% interest in the 13,400 hectare Kilometer 66 ("KM66") silver-gold-lead-zinc property located in Durango, Mexico. Under the terms of the LOI the companies will complete a Definitive Agreement that will include the following business terms. Patriot will be granted the right to earn a 75% interest in the property by assuming the remaining obligations of the underlying option agreement, which are to be paid to Bearing in advance of the underlying option agreement: US$150,000 on signing the Definitive Agreement; US$150,000 on the first anniversary of signing; US$400,000 on the second anniversary of signing; US$500,000 on the third anniversary of signing and US$7,875,000 on the fourth anniversary of signing.

Patriot may also exercise Bearing's rights under the original agreement to purchase the property outright on the first anniversary for US$5,575,000 or after the second anniversary for US$5,875,000, or after the third anniversary for US$6,875,000. Patriot may also exercise Bearing's rights to purchase up to 1% of the underlying Net Smelter Royalty ("NSR") for US$650,000 per half percent and will hold a first right of refusal to purchase the remaining 2% NSR.

In addition, Patriot must undertake work expenditures totaling US$2,000,000 before April 23, 2015 of which US$200,000 must be completed before April 23, 2013 (firm commitment), maintain the property in good standing, complete a bankable feasibility study by the eighth anniversary and pay to Bearing on signing of the Definitive Agreement 1,200,000 shares of Patriot. Should Patriot complete all its work commitments and payment obligations but fail to prepare a bankable feasibility study by the eighth anniversary it shall be deemed to have earned a 65% interest.

Completion of the transaction is subject to a number of conditions, including the negotiation and execution of a Definitive Agreement and regulatory approvals.

Mapimi- Pedro
The Company has also staked the Pedro claims (~26,000 hectares) that are contiguous with the KM66 property. In 2012 the Company completed soil and rock sampling program that has led to the discovery of a number of new targets including the HP Breccia gold prospect and the Las Lajas gold prospect. The HP Breccia prospect is a gold soil anomaly (greater than 40 ppb gold) extending over a 1,800 x 600m area that coincides with extensive silicified sedimentary breccias hosted by the Caracol Formation. 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).

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**									**Annual**	
	Q410	**Q111**	**Q211**	**Q311**	**Q411**	**Q112**	**Q212**	**Q312**	**Q412**	**2011**	**2012**
Camp & accommodation	-	-	3,541	9,799	23,055	18,550	22,417	20,606	14,437	36,395	76,010
Drilling	-	-	-	-	-	-	72,062	160,606	1,602	-	234,270
General & administration	28,942	1,040	33,472	11,147	67,513	23,603	32,827	195,885	78,487	113,172	330,802
Geology & geochemistry	96,877	30,848	73,877	75,838	87,099	81,559	94,142	143,254	84,320	267,662	403,275
Geophysics	-	-	-	-	-	24,725	15,472	(588)	54	-	39,663
Write-downs (recoveries)	-	-	-	-	-	-	-	85,553	-	-	85,553
Total exploration	**125,819**	**31,888**	**110,890**	**96,785**	**177,667**	**148,437**	**236,920**	**605,316**	**178,900**	**417,230**	**1,169,573**
Acquisition costs (net)	-	-	-	77,375	2,608	15,509	5,821	63,188	1,973	79,983	167,390
Total exploration & acquisition	**125,819**	**31,888**	**110,890**	**174,159**	**180,275**	**163,946**	**242,741**	**668,504**	**180,873**	**497,212**	**1,336,963**

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

In June 2012, the Company announced the results from a 1,172m (7 hole) diamond drilling campaign on the optioned Parrandera 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 provides 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 Parrandera drill program. It also includes the cost of running our Mexican exploration office.

Geology & geochemistry costs are principally comprised of salaries and compensation for our exploration team in Mexico. The higher costs in 2012 are partially explained by field assistants and other personnel for the exploration work in the Mapimi Area. 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 (Option was terminated in November 2012).

Under the terms of the Zymo option agreement, Bearing could have earned a 51% interest by making cash payments of $500,000 ($200,000 paid) and issuing 500,000 shares (200,000 issued) and completing exploration expenditures totaling $8 million over a five year period. The following table summarizes the quarterly and annual expenditures on the Zymo property. Exploration and evaluation costs are expensed while the acquisition costs are capitalized.

Table 2: Zymo Properties			**Quarter**				**Annual**	
(Optioned Q311)	**Q311**	**Q411**	**Q112**	**Q212**	**Q312**	**Q412**	**2011**	**2012**
Camp & accommodation	34,172	206,762	1,176	575	34,293	72,636	240,935	108,680
Drilling	18,484	888,240	-	-	102,215	516,911	906,724	619,126
General & administration	52	10,606	-	-	-	-	10,658	-
Geology & geochemistry	37,894	116,595	30,664	1,403	340	-	154,489	32,407
Geophysics	19,291	201,054	2,550	-	-	-	220,345	2,550
Write-downs (recoveries)	-	-	-	-	-	305,000	-	305,000
Total exploration	**109,893**	**1,423,257**	**34,390**	**1,978**	**136,848**	**894,547**	**1,533,151**	**1,067,763**
Acquisition costs	180,000	-	-	-	125,000	(305,000)	180,000	(125,000)
Total exploration & acquisition	**289,894**	**1,423,257**	**34,390**	**1,978**	**261,848**	**589,547**	**1,713,151**	**942,763**

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 and Q4 2012, camp costs are associated with 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 the 2012 drill program. In Q4 2012 the Company completed a 7 hole (2,322 metre) drill program, the results of which were announced on October 22, 2012, after a thorough review of the results the Company elected to relinquish its option on the property.

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.

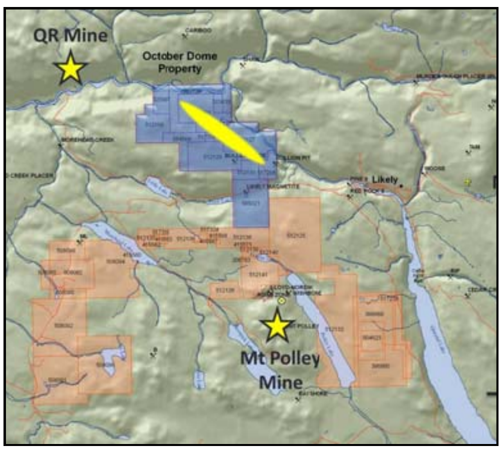
Acquisition costs in Q3 2011 include the payment of $100,000 and the fair value ($80,000) of 100,000 shares issued, Q3 2012 acquisition costs included the payment of $100,000 and the fair value ($25,000) of 100,000 shares issued under the previous option agreement with Eastfield (refer section 4.2).

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 7 km to the southeast of Barkerville Gold Mines Ltd.'s QR skarn gold mine property. 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 Q4 2012 the Company completed a 1,002 meter (4 hole) diamond drill program targeting a 400 metre strike length of a 4 kilometre long gold and copper soil anomaly that is coincident with an IP chargeability anomaly. 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								Annual	
	Q111	Q211	Q311	Q411	Q112	Q212	Q312	Q412	2011	2012
Camp & accommodation	-	-	5,925	3,247	-	-	-	1,069	9,172	1,069
Drilling	-	-	-	-	-	-	2,658	175,679	-	178,337
General & administration	-	2,393	2,930	14,409	4,531	3,491	15,000	5,064	19,732	28,086
Geology & geochemistry	27,644	14,599	32,402	3,755	915	230	1,916	691	78,400	3,752
Geophysics	-	-	-	-	-	-	-	-	-	-
Write-down (recoveries)	-	-	-	-	-	-	-	-	-	-
Total exploration	**27,644**	**16,992**	**41,257**	**21,411**	**5,446**	**3,721**	**19,574**	**182,503**	**107,304**	**211,244**
Acquisition costs	-	-	-	-	-	-	-	-	-	-
Total acquisition & exploration	**27,644**	**16,992**	**41,257**	**21,412**	**5,446**	**3,721**	**19,574**	**182,503**	**107,304**	**211,244**



The October Dome property was transferred to Bearing as part of the Arrangement Agreement (section 7). 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 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).

In Q4 2012, the Company completed a 1,002 metre (4 hole) diamond drill program, that encountered diorite and monzonite intrusions with minor hornfelsed sedimentary units and intrusive dykes. Alteration in the drill holes was pervasive, comprised of propylitic alteration with pyrite, epidote and rare chalcopyrite overprinting an earlier episode of potassic alteration. For full details of the drill results reference should be made to the Company's news release dated November 8, 2012.

2.5 Yukon Properties

In the Yukon, the Company owns the VF (2,900 hectares; optioned to Aben), BIG (2,680 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.

Flume Property:
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 ($175,000 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 November 2012, RGC announced the results from its nine diamond drill hole (2,307m) program at the Flume property, the results included the highlight hole F12-006 which included 2m of 5.76 g/t Au. For full details of the drill results, reference should be made to RGC's news release dated November 6, 2012.

VF Property:
In March 2012, the Company optioned the VF property to Aben Resources Ltd. ("Aben") whereby Aben can 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.

JAY Property:
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.

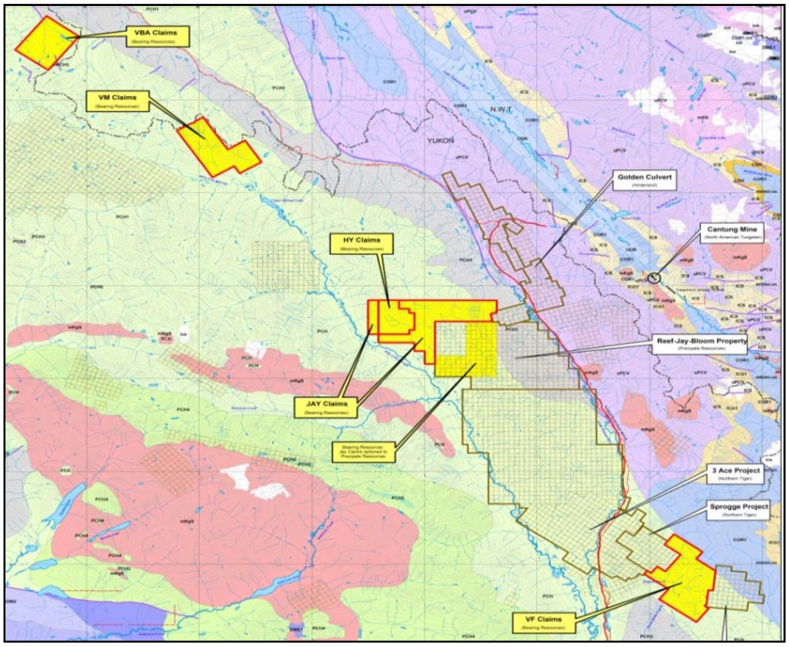
HY Property:
During 2011, the Company acquired a 100% interest in the HY claims, subject to a 2% NSR.

The following table summarizes the quarterly and annual 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**								**Annual**	
	Q111	**Q211**	**Q311**	**Q411**	**Q112**	**Q212**	**Q312**	**Q412**	**2011**	**2012**
Camp & accommodation	-	-	21,254	24,391	-	-	-	-	45,646	-
Drilling	-	-	-	-	-	-	-	-	-	-
General & administration	-	-	2,911	13,265	-	-	-	-	16,176	-
Geology & geochemistry	-	-	125,495	90,833	17,929	(3,697)	455	(406)	216,328	14,281
Geophysics	-	-	114,069	(201)	-	-	-	-	113,869	
Write-down (Recoveries)	-	-	4,432	54	-	(19,673)	(33,750)	-	4,486	(53,423)
Total exploration	**-**	**-**	**268,162**	**128,343**	**17,929**	**(23,370)**	**(33,295)**	**(406)**	**396,505**	**(39,142)**
Acquisition costs (net)	-	47,225	(23,182)	53,780	-	(18,828)	(25,000)	-	77,823	(43,827)
Total acquisition & evaluation	**-**	**47,225**	**244,980**	**182,123**	**17,929**	**(42,198)**	**(58,295)**	**(406)**	**474,328**	**(82,969)**

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 includes the costs in preparing 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. For Flume, in Q3 2011 and Q3 2012 the Company 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 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 annual 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**								**Annual**	
Other Exploration	**Q111**	**Q211**	**Q311**	**Q411**	**Q112**	**Q212**	**Q312**	**Q412**	**2011**	**2012**
Camp & accommodation	-	-	-	-	-	-	-	-	-	
General & administration	10,791	(2,397)	29,266	39,597	41,681	40,985	39,656	32,263	77,257	154,585
Geology & geochemistry	-	-	-	2,833	234	-	585	444	2,833	1,263
Geophysics	-	-	-	-	-	-	-	-	-	
Write-down (recoveries)	-	-	-	-	-	-	-	-	-	
Total exploration	**10,791**	**(2,397)**	**29,266**	**42,430**	**41,915**	**40,985**	**40,241**	**32,707**	**80,089**	**155,848**

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

Given the current financing environment for junior mining companies the Company is focused on being fiscally responsible with its existing treasury. As of October 31, 2012, the Company had approximately $1.9 million in cash and cash equivalents. In November, the Company formally terminated its option over the Zymo property after a thorough review of its recent 2,322m (7 hole) drill program.

In November the Company also announced that it had entered into a non-binding LOI with Patriot and both companies are now working towards the completion of a Definitive Agreement. The signing of a Definitive Agreement with Patriot on the KM66 will enable the Company to further reduce its direct exploration costs while continuing to advance the KM66 property through the initial option agreement and potential subsequent joint venture agreement with Patriot. Upon signing of the Definitive Agreement the exploration budget and work program for the KM66 will be defined. Under the terms of the LOI, Patriot is responsible for the ongoing costs associated with the KM66 property including property option payments and taxes in Mexico. The LOI also calls for a US$200,000 in expenditures prior to April 23, 2013.

The Company maintains a 100% interest the Pedro Property which comprises ~26,000 hectares contiguous with the KM66 property. The Pedro ground includes the recently discovered HP Breccia gold prospect. The HP Breccia gold prospect is a gold in soil anomaly (defined by the 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). The Company continues to evaluate this property by expanding the existing grid, preparing lines for possible geophysical surveys and first pass mapping and prospecting of additional areas.

In November 2012, the Company announced the results from its 1,002 metre (4 hole) diamond drill program at October Dome. The drill program encountered diorite and monzonite intrusions with minor hornfelsed sedimentary units and intrusive dykes. Alteration in the drill holes was pervasive, comprised of propylitic alteration with pyrite, epidote and rare chalcopyrite overprinting an earlier episode of potassic alteration. The Company is currently considering the best way of moving this project forward.

At the Boundary Zone where the Company owns a royalty, Imperial Metals has been conducting underground exploration drilling and bulk sampling on the Boundary zone. The Company received three royalty payments in 2012 and expects that the royalty payments may resume in 2013 with the resumption of surface mining by Imperial Metals.

The Company's Yukon portfolio continues to be advanced through existing option agreements. In November 2012, Ryan Gold announced the results from its nine diamond drill hole (2,307m) program at the Flume property, the results included the highlight hole F12-006 which included 2m of 5.76 g/t Au. Ryan Gold has met its exploration commitments on the Flume property but has one more option payment of $325,000 due in 2013. Precipitate Gold's option on the Jay East property remains in good standing with $100,000 required to be spent by December 31, 2012. The VF property is currently under an option agreement signed with Aben Resources in March 2012, who have a requirement to spend $100,000 in the first year. The Company is also active in trying to find joint venture partners for its 4 other properties in the Yukon.

As of October 31, 2012, the Company had cash and cash equivalents of approximately $1.9 million (including $0.2m 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	October 31, 2012
Cash and cash equivalents	-	4,582,528	1,890,547
Accounts receivable and prepaid expenses	52,990	221,204	112,381
Investments	-	-	3,000
Reclamation bonds and deposits	11,500	21,505	21,660
Mineral property interests	711,012	1,048,819	884,888
Property, plant and equipment	16,393	67,448	48,952
Total Assets	**791,895**	**5,941,504**	**2,961,428**

Cash and cash equivalents include $187,287 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 2011 Zymo exploration program.

Investments are comprised of 100,000 Aben shares, that are marked to market, that were received as part of the VF option agreement (section 2.5). Bonds and reclamation deposits relate to the Mt Polley and October Dome properties.

For the year ended October 31, 2012, the Company reported a loss of $3.7 million and as at that date had a net working capital balance of $1.9 million and an accumulated deficit of $10.7 million. The Company has a number of financing alternatives available to it. In November 2012, the Company announced a LOI with Patriot which would significantly reduce the holding costs associated with the KM66 property. In addition, in the New Year the Company intends to consider the availability of additional financings either through equity offerings, additional option agreements or potential royalty agreements. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding from loans or equity financings or through other arrangements. The success of such initiatives cannot be assured. These conditions and events cast significant doubt on the validity of the going concern assumption.

Table 7: Mineral property interests ($)	October 31, 2010	October 31, 2011	October 31, 2012
Zymo	-	180,000	-
October Dome	555,057	555,057	555,057
Mt. Polley	40,836	40,836	13,325
Mexico (including Mapimi)	-	79,983	167,390
Other	115,119	192,943	149,116
Total Mineral property interest	**711,012**	**1,048,819**	**884,888**

Under the Company's accounting policy only acquisition costs are deferred. In Q4, 2012 the Company announced its intention to relinquish the Zymo property and therefore wrote-off its deferred acquisition costs on this property. A total of $305,000 was written off comprising $180,000 from 2011 and $125,000 from the current year (100,000 shares (deemed fair value $25,000) and the $100,000 cash payment in June 2012).

In Q1 2012, the Company received three royalty payments from Imperial, based on tonnes milled 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's carrying costs as of July 31, 2012 relate to acquisition costs associated with our wholly owned Pedro ground and option payments on KM66. In Q3 2012, the Company wrote off the deferred acquisition costs on Parrandera.

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, 2011	October 31, 2012
Accounts payable and accrued liabilities	355,667	120,578
Premium liability	69,465	-
Total Liabilities	**425,132**	**120,578**

Accounts payable and accrued liabilities in 2011 included certain costs associated with the 2011 exploration program at Zymo that were subsequently paid in Q1 2012.

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 $164,193 had been drawn down by October 31, 2011. The Company incurred the remaining Canadian Exploration Expenditure in 2012 associated with July 2011 financing and therefore no liability existed as of October 31, 2012. No Premium liability existed on the 2012 flow-through financing.

Commitments

Table 9: Fiscal Year Cash Commitments, as at October 31, 2012 ($)(1)	2012 (paid)	2013	2014	Thereafter
Zymo (*to earn 51% excludes commitments & shares*) (2)	100,000	100,000	100,000	100,000
KM66- US$ (Note 6)	150,000	150,000	150,000	8,775,000
Lease commitments	35,856	47,808	11,952	-

(1) *Table excludes shares, it also excludes the Flume payments as these have been offset by the RGC Agreement.*
(2) *Subsequent to October 31, 2012, the Company terminated the Zymo 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 Bearing 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 of signing; US$400,000 on the third anniversary of signing; US$500,000 on the fourth anniversary of signing; 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%. In November 2012, the Company entered into a LOI with Patriot on the KM66 property (refer section 2.2).

Zymo:
To earn an initial 51% interest, Bearing had to 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 over a five year period. Bearing could have earned an additional 9% interest by completing a feasibility study and maintaining minimum annual expenditures of $500,000. If Bearing had put the property into production, Bearing would have had the 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. Bearing announced its intention to relinquish the Zymo option in October 2012, and formally terminated the option in November 2012.

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	October 31, 2012
Common shares	-	8,094,885	8,677,789
Contributed surplus	4,169,805	4,407,606	4,858,379
AOCI	-	(5,999)	(8,470)
Deficit (refer to section 5)	(3,430,900)	(6,980,120)	(10,686,848)
Total Shareholders' Equity	**738,905**	**5,516,372**	**2,840,850**

In January 2012, the Company completed a 428,572 unit offering for gross proceeds of $180,000. Each unit comprised 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 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 and issued 100,000 shares to Eastfield.

The increase in contributed surplus arises from the aforementioned financing January 2012 and stock options compensation expense.

Table 11: Shareholders' Equity ($)	October 31, 2011	October 31, 2012
Common shares	23,361,076	25,889,648
Options outstanding		
Number	2,090,000	2,255,000
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	$3.9 million
Share price	$0.52	$0.15

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	As intended
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).

	Quarterly								Annual	
Table 13: Expenditures ($000's)	**Q111**	**Q211**	**Q311**	**Q411**	**Q112**	**Q212**	**Q312**	**Q412**	**2011**	**2012**
Revenues	-	-	-	-	-	-	-	-	-	-
Exploration expenditures (Table 14)	70	126	545	1,791	248	260	769	1,288	2,534	2,565
										-
Other expenses										-
Audit, filing and legal Fees	-	2	121	210	33	43	9	18	333	103
Consulting and labour	15	32	111	134	143	138	114	58	292	453
Depreciation and amortization	3	1	2	3	6	6	6	6	8	24
Finance Income	-	-	(4)	(17)	(16)	(12)	(7)	(4)	(21)	(38)
FT premium recognition	-	-	-	(164)	(5)	-	(14)	(51)	(164)	(70)
Other costs	7	19	3	3	7	5	2	7	32	21
Rent and office costs	5	11	30	41	32	26	14	23	87	95
Share-based payment expense	-	-	267	140	126	111	91	106	407	434
Unrealized loss on investment	-	-	-	-	-	2	1	3	-	6
Travel and promotion	25	5	10	2	23	43	25	23	41	113
Total other expenses	55	70	540	352	349	362	241	189	1,015	1,141
Net loss	**125**	**196**	**1,085**	**2,143**	**597**	**622**	**1,010**	**1,477**	**3,549**	**3,706**
Basic loss per share	**N/A**		**$0.09**	**$0.09**	**$0.03**	**$0.03**	**$0.04**	**$0.06**	**$0.36**	**$0.15**

As the Company is in the exploration and development stage it has no sales or revenues. Audit, filing and legal fees also include 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 Annual General Meeting 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 related to the 2011 flow-through financing. The significant recognition in Q4 2011 is consistent with the flow-through spent on the Zymo project in Q4 2011. The Q3 and Q4 2012 recognition is consistent with the 2012 exploration program at Zymo and October Dome.

Rent and office costs include insurance and communication costs. Share-based payment expense is as a result of the intial 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 in that quarter.

Table 14: Expensed Exploration	Quarterly								Annual	
($000's)	**Q111**	**Q211**	**Q311**	**Q411**	**Q112**	**Q212**	**Q312**	**Q412**	**2011**	**2012**
Camp & accommodation	-	4	71	257	20	23	55	88	296	186
Drilling	-	-	18	888	-	72	265	695	907	1,032
General & administration	12	33	46	145	69	77	252	115	273	513
Geology & geochemistry	58	89	272	301	132	92	146	85	720	455
Geophysics	-	-	133	200	27	16	(1)	-	334	42
Write-down (recoveries)	-	-	4	-	-	(20)	52	305	4	337
Total	**70**	**126**	**545**	**1,791**	**248**	**260**	**769**	**1,288**	**2,534**	**2,565**
By Project:										
Mexico	32	111	97	177	148	237	605	179	417	1,169
Zymo	-	-	110	1,423	34	2	137	895	1,533	1,068
October Dome	27	17	41	21	6	4	19	182	107	211
Yukon	-	-	268	128	18	(24)	(33)	-	397	(39)
Other	11	(2)	29	42	42	41	41	32	80	156
Total	**70**	**126**	**545**	**1,791**	**248**	**260**	**769**	**1,288**	**2,534**	**2,565**

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 2.5). The increase in Q3 2012 relates to the start of the 2012 exploration program at Zymo and the drilling at Parrandera. Camp costs reflect the costs of running these programs. Drilling costs include 3,454m (Q3 and Q4 2011) and 2,322m (Q3 and Q4 2012) of helicopter supported drilling and associated assay costs at Zymo. Q4 2012 also includes drilling costs at October Dome (1,002m). 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 relates to Parrandera, which were offset by recoveries on the Flume property of $33,750. The Q4 2012 write-down relates to Zymo acquisition costs.

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 (Q4 2012):

Cash outflow from operating activities for Q4 2012 was $1,270,111 (Q411: $2,159,539) was due principally to the exploration program in Mexico. Cash outflow from financing activities was $479 (Q411: $1,508) the previous inflow was from funding from Valley High for the Bearing Business. Cash inflow from investing activities was $15 (Q411 outflow: $57,197) which was principally related to proceeds from the VF option agreement.

Annual (2012)

Cash outflow from operating activities was $3,051,259 (2011: $3,156,559) was due principally to the exploration program in Mexico, payment of costs associated with Zymo and corporate costs. Cash inflow from financing activities was $574,715 (2011: $8,032,601) the previous year inflow was from funding from Valley High for the Bearing Business. Cash outflow from investing activities was $211,881 (2011: $293,062) 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, 2012.

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, 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 October 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 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, President and Chief Executive Officer, 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.

8.4 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.

8.5 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.

8.6 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.

8.7 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.

8.8 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.

8.9 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.

8.10 Critical Accounting Policies

Going concern

The consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the year ended October 31, 2012, the Company reported a loss of $3.7 million and as at that date had a net working capital balance of $1.9 million and an accumulated deficit of $10.7 million. The Company has a number of financing alternatives available to it. In November 2012, the Company announced a LOI with Patriot which would significantly reduce the holding costs associated with the KM66 property. In addition, in the New Year the Company intends to consider the availability of additional financings either through equity offerings, additional option agreements or potential royalty agreements. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding from loans or equity financings or through other arrangements. The success of such initiatives cannot be assured. These conditions and events cast significant doubt on the validity of the going concern assumption.

The consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

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, other than property acquisition 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.

Foreign currency translation
The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which they operate. 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.
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.

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 method for the measurement of shares and warrants issued as units in financing arrangements. The pro-rata 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) 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.

d) 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, except where indicated. The Company does not believe that these amendments will have a significant impact on the Company.

(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. The effective date of IFRS 9 is January 1, 2015.

(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 anentity 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 jointly controlled entities. 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, including subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosures 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 functional currency of the Bearing is the Canadian dollar.

www.bearingresources.ca

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