BEARING RESOURCES LTD.

(An Exploration Stage Company)

# Condensed Consolidated Financial Statements

For the Quarter ended January 31, 2013

(Expressed in Canadian dollars, except where indicated)

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

# Bearing Resources Ltd.

Condensed Consolidated Statement of Financial Position

**As at January 31, 2013 and October 31, 2012**

(Expressed in Canadian dollars, except where indicated)

| | January 31, 2013 $ | October 31, 2012 $ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents (note 4) | 1,644,100 | 1,890,547 |
| Accounts receivable and prepaid expenses | 29,433 | 112,381 |
| Investments | 2,500 | 3,000 |
| | 1,676,033 | 2,005,928 |
| **Non-current assets** | | |
| Reclamation bonds and deposits | 21,710 | 21,660 |
| Mineral property interests (note 5) | 889,469 | 884,888 |
| Property, plant and equipment | 44,161 | 48,952 |
| | 2,631,373 | 2,961,428 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 134,300 | 120,578 |
| | 134,300 | 120,578 |
| **Shareholders' Equity** | | |
| Common shares (note 6) | 8,677,789 | 8,677,789 |
| Contributed surplus | 4,900,042 | 4,858,379 |
| Accumulated other comprehensive income ("AOCI") | (4,078) | (8,470) |
| Deficit | (11,076,680) | (10,686,848) |
| | 2,497,073 | 2,840,850 |
| | 2,631,373 | 2,961,428 |

**Nature of operations and going concern** (note 1)
**Commitments and contingencies** (note 10)
**Subsequent events** (note 11)

**Approved by the Board of Directors**

*"Brian Bayley"*
Director

*"Damian Towns"*
Director

# Bearing Resources Ltd.

Condensed Consolidated Statement of Loss and Comprehensive Loss

**For the three months ended January 31, 2013 and 2012**

(Expressed in Canadian dollars, except where indicated)

| Expenditures | Three Months Ended January 31, 2013 | Three Months Ended January 31, 2012 |
|---|---|---|
| | $ | $ |
| **Exploration** | | |
| Camp & accommodation | 6,493 | 19,726 |
| Drilling | 4,780 | - |
| General & administration | 112,173 | 69,813 |
| Geology & geochemistry | 59,404 | 131,303 |
| Geophysics | - | 27,274 |
| | 182,850 | 248,116 |
| **Corporate and other costs** | | |
| Audit, filing and legal fees | 37,237 | 32,807 |
| Consulting and labour | 72,352 | 142,630 |
| Depreciation and amortization | 5,626 | 6,273 |
| Finance income | (1,693) | (15,569) |
| Flow through premium recognition | - | (5,110) |
| Other costs | 4,436 | 6,772 |
| Rent and office costs | 19,671 | 31,808 |
| Share-based payment expense | 41,664 | 126,181 |
| Unrealized loss on held-for-trading investment | 500 | - |
| Travel and promotion | 27,189 | 23,088 |
| | 206,982 | 348,880 |
| **Loss for the period** | 389,832 | 596,996 |
| **Other comprehensive income** | | |
| Foreign currency translation adjustment | (4,392) | (2,818) |
| **Comprehensive loss for the period** | 385,440 | 594,178 |
| **Basic and diluted loss per share ($ per share)** | $0.02 | $0.03 |
| **Weighted average shares outstanding (000’s)** | 25,890 | 23,422 |

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

# Bearing Resources Ltd.

Condensed Consolidated Statements of Shareholders' Equity

**For the three months ended January 31, 2013 and 2012**

(Expressed in Canadian dollars, except where indicated)

| | Common shares | | | | | |
|---|---|---|---|---|---|---|
| | No. of shares # | Amount $ | Contributed Surplus $ | AOCI $ | Deficit $ | Shareholders' equity $ |
| **Balance – November 1, 2011** | 23,361,076 | 8,094,885 | 4,407,606 | (5,999) | (6,980,120) | 5,516,372 |
| Share Issuances (note 10) | 428,572 | 162,120 | 16,811 | - | - | 178,931 |
| Share Issuance costs | - | - | | - | - | - |
| Share-based payments | - | - | 126,181 | - | - | 126,181 |
| Comprehensive income (loss) | - | - | - | 2,818 | (596,996) | (594,178) |
| **Balance – January 31, 2012** | 23,789,648 | 8,257,005 | 4,550,598 | (3,181) | (7,577,116) | 5,227,306 |
| **Balance – November 1, 2012** | 25,889,648 | 8,677,789 | 4,858,379 | (8,470) | (10,686,848) | 2,840,850 |
| Share Issuances (note 10) | - | - | - | - | - | - |
| Share Issuance costs | - | - | - | - | - | - |
| Share-based payments | - | - | 41,663 | - | - | 41,663 |
| Comprehensive income (loss) | - | - | - | 4,392 | (389,832) | (385,440) |
| **Balance – January 31, 2013** | 25,889,648 | 8,677,789 | 4,900,042 | (4,078) | (11,076,680) | 2,497,073 |

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

# Bearing Resources Ltd.

Condensed Consolidated Statement of Cash Flow

**For the three months ended January 31, 2013 and 2012**

(Expressed in Canadian dollars, except where indicated)

| | Three Months Ended January 31, 2013 $ | Three Months Ended January 31, 2012 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the period | (389,832) | (596,996) |
| **Items not affecting cash** | | |
| Depreciation and amortization | 5,626 | 6,273 |
| Flow through premium recognition | - | (5,110) |
| Share-based payment expense | 41,664 | 126,181 |
| Unrealized loss on held-for-trading investment | 500 | - |
| | (342,042) | (469,652) |
| **Change in non-cash operating working capital** | | |
| Decrease (increase) in accounts receivable & prepaid expenses | 86,469 | (261) |
| Increase (decrease) in accounts payable & accrued liabilities | 13,721 | (239,267) |
| | (241,852) | (709,180) |
| **Cash flows from financing activities** | | |
| Share issuances, net | - | 178,931 |
| | - | 178,931 |
| **Cash flows from investing activities** | | |
| Mineral property acquisition costs | - | (17,256) |
| Mineral property reimbursements | (1,017) | - |
| Payments to acquire capital assets | - | (3,136) |
| | (1,017) | (20,392) |
| **Effect of exchange rate changes on cash and equivalents** | (3,578) | 269 |
| **Increase in cash and cash equivalents** | (246,447) | (550,372) |
| **Cash and cash equivalents - Beginning of period** | 1,890,547 | 4,582,528 |
| **Cash and cash equivalents - End of period** | 1,644,100 | 4,032,156 |

## 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 period ended January 31, 2013, the Company reported a loss of $0.4 million and as at that date had a net working capital balance of $1.5 million and an accumulated deficit of $11.1 million. The Company has a number of financing and business alternatives available to it. In February 2013, the Company signed an Option Agreement with with Patriot Minefinders Ltd. ("Patriot") (note 11) which would significantly reduce the holding costs associated with the KM66 property, in the event that it closes. In addition, 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, in its current state, 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 Significant accounting policies

**Basis of presentation**
These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34- Interim Financial Reporting. The accounting policies followed in these condensed consolidated financial statements are the same as those applied in the Company's audited annual financial statements for the year ended October 31, 2012.

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 Company.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 14, 2013, the date the Audit Committee approved the statements. Any subsequent changes to IFRS after this date could result in changes to the consolidated financial statements for the period ended January 31, 2013.

**2 Significant accounting policies (continued)**

The interim condensed consolidated financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company's audited annual consolidated financial statements and the notes thereto for the year ended October 31, 2012.

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

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

**3 Exploration costs**

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

**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 property (Kilometer 66 ("KM66")) and the wholly owned Pedro Property.

<u>KM66</u>

Effective May 3, 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%. Subsequent to period end, the Company signed the Patriot Option Agreement (note 11).

<u>Pedro</u>

The Company has staked additional claims covering approximately 26,000 hectares that are contiguous with KM66.

<u>Parrandera</u>

In May 2012, the Company terminated its option agreement over the Parrandera gold-copper-zinc properties in the Mapimi region and wrote off capitalized acquisition costs of $85,553. Bearing had the right to acquire a 100% interest in both the optioned properties for a total of $810,000 ($80,000 paid), subject to a 1.5% NSR.

**Zymo copper-gold property ("Zymo"), Canada**

In November 2012, the Company terminated an option agreement to earn up to a 65% interest in the Zymo property, British Columbia, Canada. Prior to termination, the Company had paid $200,000 and issued 200,000 shares. The Company wrote off capitalized acquisition costs of $305,000 (note 5).

**3 Exploration costs (continued)**

**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.

**Flume, Yukon, Canada**

The Flume property located in Yukon Territory, Canada, comprises 191 mineral claims totalling approximately 3,900 hectares. 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.

The Company has 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.

**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 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”) (note 11) 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.

The HY claims are situated within the Upper Hyland Gold Belt which is the south-eastern extension of the regional Tintina Gold Belt, in the Watson Lake Mining District at the Yukon and is surrounded by the Company’s Jay claims. The claims are subject to a 2% NSR.

(Expressed in Canadian dollars, except where indicated)

## 3 Exploration costs (continued)

**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.

In one complete mineral cell and four partial cells in the Boundary Zone were sold to Imperial and 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 costs on Mt. Polley are included under the "Other" heading on the following table.

| | Expensed exploration costs for the three months ended January 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| **$** | **Zymo** | **OctDome** | **Yukon** | **Mexico** | **Other** | **Total** |
| Camp & accommodation | - | - | - | 6,493 | - | 6,493 |
| Drilling | - | 4,780 | - | - | - | 4,780 |
| General & administration | 129 | - | 350 | 77,225 | 34,469 | 112,173 |
| Geology & geochemistry | - | 990 | 1,306 | 56,628 | 480 | 59,404 |
| Geophysics | - | - | - | - | - | - |
| | 129 | 5,770 | 1,656 | 140,346 | 34,949 | 182,850 |

| | Expensed exploration costs for the three months ended January 31, 2012 | | | | | |
|---|---|---|---|---|---|---|
| **$** | **Zymo** | **OctDome** | **Yukon** | **Mexico** | **Other** | **Total** |
| Camp & accommodation | 1,176 | - | - | 18,550 | - | 19,726 |
| Drilling | - | - | - | - | - | - |
| General & administration | - | 4,531 | - | 23,603 | 41,680 | 69,814 |
| Geology & geochemistry | 30,664 | 915 | 17,928 | 81,560 | 235 | 131,303 |
| Geophysics | 2,550 | - | - | 24,724 | - | 27,274 |
| | 34,390 | 5,446 | 17,928 | 148,437 | 41,915 | 248,116 |

## 4 Cash and cash equivalents

| **$** | **January 31, 2013** | **October 31, 2012** |
|---|---|---|
| Cash | 107,681 | 354,272 |
| Cash equivalents | 1,536,419 | 1,536,275 |
| | 1,644,100 | 1,890,547 |

(Expressed in Canadian dollars, except where indicated)

## 4 Cash and cash equivalents (continued)

In July 2012, the Company completed flow-through financings for gross proceeds of $400,000 (note 10). At January 31, 2013 $169,158 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.

## 5 Mineral properties

| $ | Zymo | OctDome | Mt Polley | Mexico | Other | Total |
|---|---|---|---|---|---|---|
| **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 |
| Acquisition costs | - | - | - | - | - | - |
| Write-downs | - | - | - | - | - | - |
| Property payments received | - | - | - | - | - | - |
| Exchange differences | - | - | - | 4,581 | - | 4,581 |
| **January 31, 2013** | - | 555,057 | 13,325 | 171,971 | 149,116 | 889,469 |

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

## 6 Common shares

The Company has an unlimited number of authorized common shares without par value. Under the terms of the Zymo option agreement (note 6) the Company issued 100,000 common shares (fair value $25,000) in July 2012.

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 was exercisable for one common share of the Company until January 18, 2013 at an exercise price of $0.60.

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

(Expressed in Canadian dollars, except where indicated)

## 7 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.

| | January 31, 2013 | | October 31, 2012 | |
|---|---|---|---|---|
| | Number of shares | Weighted average exercise price $ | Number of shares | Weighted average exercise price $ |
| Outstanding - October 31 | 2,255,000 | 0.69 | 2,090,000 | 0.72 |
| Granted | - | - | 220,000 | 0.38 |
| Forfeited | (6,667) | 0.38 | (53,333) | 0.72 |
| Expired | (100,000) | 0.72 | (1,667) | 0.72 |
| **Outstanding – at period end** | 2,148,333 | 0.69 | 2,255,000 | 0.69 |

As of January 31, 2013, the following stock options were outstanding:

| Number of options Outstanding | Number of options vested and exercisable | Exercise price $ | Expiry Date |
|---|---|---|---|
| 1,935,000 | 1,289,999 | 0.72 | July 12, 2016 |
| 213,333 | 146,666 | 0.38 | December 16, 2016 |
| 2,148,333 | 1,436,665 | 0.69 | |

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

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

For the three months ended January 31, 2013 total share-based compensation expense was $41,664 (2012: $126,181).

### Warrants

| | January 31, 2013 | | October 31, 2012 | |
|---|---|---|---|---|
| | Number of shares | Weighted average exercise price $ | Number of shares | Weighted average exercise price $ |
| Outstanding – October 31 | 214,286 | 0.60 | 4,166,663 | 0.60 |
| Issued | - | - | 214,286 | 0.60 |
| Exercised | - | - | - | - |
| Expired | (214,286) | 0.60 | (4,166,663) | 0.60 |
| **Outstanding – at period end** | **-** | **-** | **214,286** | **0.60** |

(Expressed in Canadian dollars, except where indicated)

## 7 Share stock options and warrants (continued)

At January 31, 2013, the no warrants were outstanding:

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 |

## 8 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.

| $ | January 31, 2013 | January 31, 2012 |
|---|---|---|
| Short-term employee benefits | 87,734 | 122,600 |
| Share-based payment expense | 18,023 | 52,029 |
| **Total key management personnel** | 105,757 | 174,629 |

## 9 Geographic segmented information

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

| $ | Mexico | Canada | Total |
|---|---|---|---|
| **January 31, 2013** | | | |
| Loss for the period | 17,066 | 372,766 | 389,832 |
| Non-current assets | 202,594 | 752,746 | 955,340 |
| Total assets | 240,533 | 2,390,840 | 2,631,373 |
| Total liabilities | 78,171 | 56,129 | 134,300 |
| **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 |

## 10 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 3).

## 11 Subsequent events

**Patriot Agreement**

In February 2013, the Company signed an Option Agreement with Patriot whereby Patriot may earn up to a 75% interest in the KM66 property located in Durango, Mexico. Under the terms of the Option Agreement, Patriot advanced $50,000 upon signing the agreement and agreed to the following terms: At closing, 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 closing; 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.

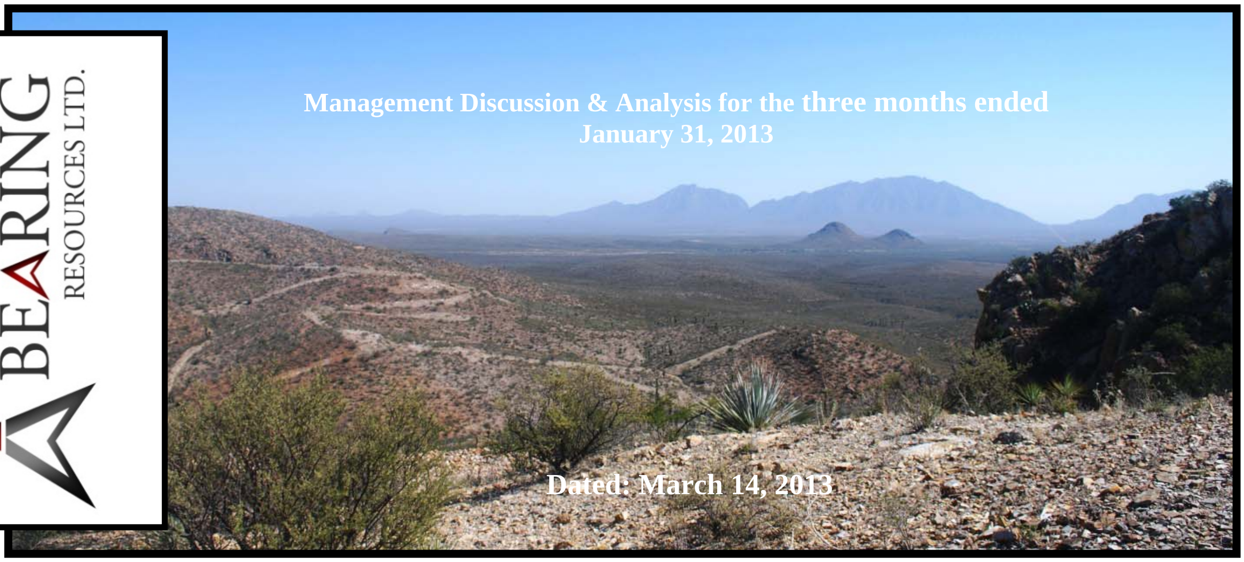
In addition, Patriot must undertake work expenditures totaling US$2,000,000 before April 23, 2015 of which US$200,000 must be completed before June 30, 2013 (firm commitment), maintain the property in good standing, complete a bankable feasibility study by the eighth anniversary and pay to Bearing 1,200,000 shares of Patriot (received). 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.

Under the Patriot Agreement the closing conditions were to be met by February 22$^{nd}$ and to date Patriot has advanced the sum of $50,000 and issued the shares to Bearing. Final closing is subject to Patriot raising and advancing the funds required to satisfy the remaining closing conditions.

**Aben Resources**

Under the terms of the Aben Agreement on the VF property (note 3), Aben had a payment due on March 1, 2013 which has not been made, Bearing is currently working with Aben to rectify this deficiency.

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 should be read in conjunction with the Company's unaudited financial statements for the three months ended January 31, 2013.

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.

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## 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

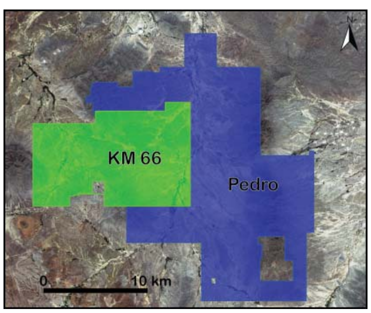
The Board of Directors is comprised of four Independent and three Executive Directors. Robert Cameron is the President and CEO of the Company and has over 30 years of experience in the mining industry. The Executive Chairman of the Board is Geoff Chater, who has over 23 years in the mining industry. The Lead Independent Director is David Watkins, an Independent Director with over 42 years in the mining industry.

## 2 MILESTONES & PROJECTS UPDATE

### 2.1 Snapshot

- Closing on KM66 Option Agreement Pending (Mar 2013)
- Signed KM66 Option Agreement (Feb 2013)
- Announced KM66 Letter of Intent (Nov 2012)
- Announced October Dome Drill Results (Nov 2012)

### 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.

**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. 2012 Work on the KM66 property included the outlining of the Victorinos prospect which is defined by a gold-silver-lead-zinc soil anomaly over an area of approximately 600 x 500 metres.

In February 2013, the Company entered into an option agreement with Patriot Minefinders Ltd (“Patriot”) (the “Patriot Agreement”) (OTCBB:PROF) whereby Patriot may earn up to a 75% interest in the KM66 property located in Durango, Mexico. Under the option agreement the closing conditions were to be met by February 22, 2013 and to date Patriot has advanced the sum of $50,000 and issued the shares to Bearing. Final closing is subject to Patriot raising and advancing the funds required to satisfy the remaining closing conditions.

Under the terms of the Patriot Agreement, upon closing 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 closing; 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. All amounts above are subject to value added taxes in Mexico.

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 June 30, 2013 (firm commitment), maintain the property in good standing, complete a bankable feasibility study by the eighth anniversary and pay to Bearing on closing 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.

**Mapimi- Pedro**

The Company owns the Pedro claims (~26,000 hectares) that are contiguous with the KM66 property. In 2012 the Company completed a 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 threshold) extending over a 1,800 x 600m area that coincides with extensive silicified sedimentary breccias and conglomerate. 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).

| **Table 1: Mexico Properties** | **Quarter** | | | | | | | | **YTD** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Q211** | **Q311** | **Q411** | **Q112** | **Q212** | **Q312** | **Q412** | **Q113** | **2012** | **2013** |
| Camp & accommodation | 3,541 | 9,799 | 23,055 | 18,550 | 22,417 | 20,606 | 14,437 | 6,493 | 18,550 | 6,493 |
| Drilling | - | - | - | - | 72,062 | 160,606 | 1,602 | - | - | - |
| General & administration | 33,472 | 11,147 | 67,513 | 23,603 | 32,827 | 195,885 | 78,487 | 77,225 | 23,603 | 77,225 |
| Geology & geochemistry | 73,877 | 75,838 | 87,099 | 81,560 | 94,142 | 143,254 | 84,320 | 56,628 | 81,560 | 56,628 |
| Geophysics | - | - | - | 24,724 | 15,472 | (588) | 54 | - | 24,724 | - |
| Write-downs (recoveries) | - | - | - | - | - | 85,553 | - | - | - | - |
| Total exploration | **110,890** | **96,785** | **177,667** | **148,437** | **236,920** | **605,316** | **178,900** | **140,346** | **148,437** | **140,346** |
| Acquisition costs (net) | - | 77,375 | 2,608 | 15,509 | 5,821 | 63,188 | 1,973 | - | 15,509 | - |
| **Total exploration & acquisition** | **110,890** | **174,159** | **180,275** | **163,946** | **242,741** | **668,504** | **180,873** | **140,346** | **163,946** | **140,346** |

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.

Q2 & Q3 2012 include the costs of a 1,172m (7 hole) diamond drilling campaign on the terminated Parrandera optioned property. The results from this drill program did not meet the Company's exploration target criteria and the property was returned to its underlying vendors.

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. Included in Q1 2013 General & Administration costs are the payment of the first semester taxes for KM66 and Pedro.

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. Work in Q1 2013 was focused mostly on detailed mapping of the HP Breccia discovery on the Pedro property, detailed mapping on the La Gloria deposit on the KM66 property.

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

Acquisition costs in Q3 2011 and Q1 2012 relate to the option payments on the dropped Parrandera property. 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.

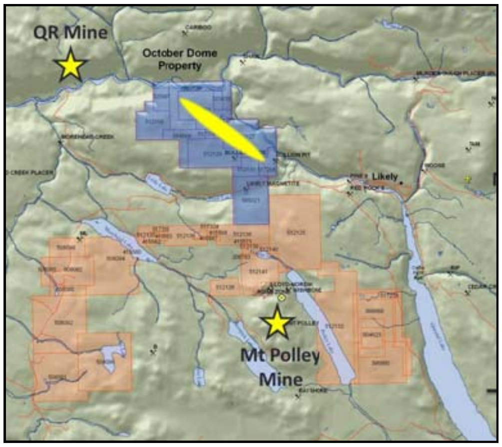
## 2.3 October Dome Property British Columbia, Canada

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 NSRs 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 2: October Dome Properties** | **Quarterly** | | | | | | | | **YTD** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Q211** | **Q311** | **Q411** | **Q112** | **Q212** | **Q312** | **Q412** | **Q113** | **2012** | **Q113** |
| Camp & accommodation | - | 5,925 | 3,247 | - | - | - | 1,069 | - | - | - |
| Drilling | - | - | - | - | - | 2,658 | 175,679 | 4,780 | - | 4,780 |
| General & administration | 2,393 | 2,930 | 14,409 | 4,531 | 3,491 | 15,000 | 5,064 | - | 4,531 | - |
| Geology & geochemistry | 14,599 | 32,402 | 3,755 | 915 | 230 | 1,916 | 691 | 990 | 915 | 990 |
| Geophysics | - | - | - | - | - | - | - | - | - | - |
| Write-down (recoveries) | - | - | - | - | - | - | - | - | - | - |
| **Total exploration** | **16,992** | **41,257** | **21,411** | **5,446** | **3,721** | **19,574** | **182,503** | **5,770** | **5,446** | **5,770** |
| Acquisition costs | - | - | - | - | - | - | - | - | - | - |
| **Total acquisition & exploration** | **16,992** | **41,257** | **21,412** | **5,446** | **3,721** | **19,574** | **182,503** | **5,770** | **5,446** | **5,770** |

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. Drill costs in Q1 2013 represent the costs of completing this program.

## 2.4 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.


**Flume Property:**

The Company may acquire a 100% interest in the Flume property subject to an NSR (section 4.2). The Flume property was subsequently 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. Aben is past due on its obligations as of March 1, 2013 and both parties are currently working towards rectifying this situation.

**JAY Property:**

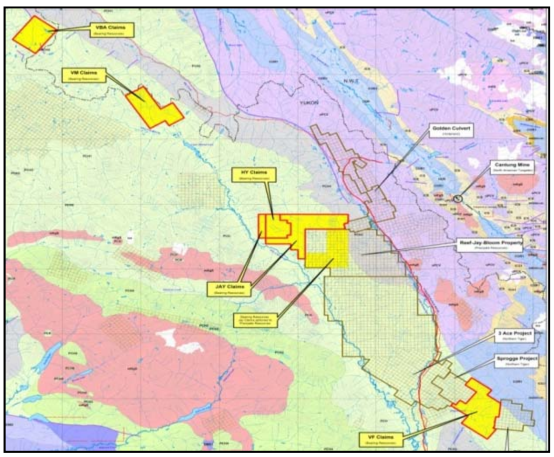
In August 2011, the Company partitioned 2,240 hectares (referred to as the "Jay East" property) of the JAY claim block and entered into an option agreement with Precipitate Gold Corporation ("Precipitate") whereby Precipitate can earn up to a 70% interest in Jay East. To earn an initial 51% interest 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:**

The Company has 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 3: Yukon Properties** | **Quarterly** | | | | | | | | **YTD** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Q211** | **Q311** | **Q411** | **Q112** | **Q212** | **Q312** | **Q412** | **Q113** | **2012** | **2013** |
| Camp & accommodation | - | 21,254 | 24,391 | - | - | - | - | - | - | - |
| Drilling | - | - | - | - | - | - | - | - | - | - |
| General & administration | - | 2,911 | 13,265 | - | - | - | - | 350 | - | 350 |
| Geology & geochemistry | - | 125,495 | 90,833 | 17,928 | (3,697) | 455 | (406) | 1,306 | 17,928 | 1,306 |
| Geophysics | - | 114,069 | (201) | - | - | - | - | - | - | - |
| Write-down (Recoveries) | - | 4,432 | 54 | - | (19,673) | (33,750) | - | - | - | - |
| **Total exploration** | **-** | **268,162** | **128,343** | **17,928** | **(23,370)** | **(33,295)** | **(406)** | **1,656** | **17,928** | **1,656** |
| Acquisition costs (net) | 47,225 | (23,182) | 53,780 | - | (18,828) | (25,000) | - | - | - | - |
| **Total acquisition & evaluation** | **47,225** | **244,980** | **182,123** | **17,928** | **(42,198)** | **(58,295)** | **(406)** | **1,656** | **17,928** | **1,656** |




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 totaling 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 (deemed fair 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. The Yukon properties are either on a care & maintenance basis or have been optioned to other parties and therefore expenditure in Q1 2013 is reasonably limited.

### 2.5 Zymo Copper-Gold Property, British Columbia, Canada

In November 2012, the Company terminated an option agreement to earn up to a 65% interest in the Zymo project, British Columbia. Under the terms of the Zymo option agreement, Bearing had made cash payments of $500,000 ($200,000 paid) and issuing 500,000 shares (200,000 issued). 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 4: Zymo Properties** | **Quarter** | | | | | | | **YTD** | |
|---|---|---|---|---|---|---|---|---|---|
| *(Optioned Q311)* | **Q311** | **Q411** | **Q112** | **Q212** | **Q312** | **Q412** | **Q113** | **2012** | **2013** |
| Camp & accommodation | 34,172 | 206,762 | 1,176 | 575 | 34,293 | 72,636 | - | 1,176 | - |
| Drilling | 18,484 | 888,240 | - | - | 102,215 | 516,911 | 129 | - | 129 |
| General & administration | 52 | 10,606 | - | - | - | - | - | - | - |
| Geology & geochemistry | 37,894 | 116,595 | 30,664 | 1,403 | 340 | - | - | 30,664 | - |
| Geophysics | 19,291 | 201,054 | 2,550 | - | - | - | - | 2,550 | - |
| Write-downs (recoveries) | - | - | - | - | - | 305,000 | - | - | - |
| **Total exploration** | **109,893** | **1,423,257** | **34,390** | **1,978** | **136,848** | **894,547** | **129** | **34,390** | **129** |
| Acquisition costs | 180,000 | - | - | - | 125,000 | (305,000) | - | - | - |
| **Total exploration & acquisition** | **289,894** | **1,423,257** | **34,390** | **1,978** | **261,848** | **589,547** | **129** | **34,390** | **129** |

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 terminated option agreement.

### 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 | | | | | | | | YTD | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Other Exploration** | **Q211** | **Q311** | **Q411** | **Q112** | **Q212** | **Q312** | **Q412** | **Q113** | **2012** | **2013** |
| Camp & accommodation | - | - | - | - | - | - | - | - | - | - |
| General & administration | (2,397) | 29,266 | 39,597 | 41,680 | 40,985 | 39,656 | 32,263 | 34,469 | 41,680 | 34,469 |
| Geology & geochemistry | - | - | 2,833 | 235 | - | 585 | 444 | 480 | 235 | 480 |
| Geophysics | - | - | - | - | - | - | - | - | - | - |
| Write-down (recoveries) | - | - | - | - | - | - | - | - | - | - |
| **Total exploration** | **(2,397)** | **29,266** | **42,430** | **41,915** | **40,985** | **40,241** | **32,707** | **34,949** | **41,915** | **34,949** |

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 January 31, 2013, the Company had approximately $1.6 million in cash and cash equivalents.

On February 18, 2013 the Company entered into an option agreement with Patriot, upon signing this agreement Bearing received $50,000 as an advance on the initial payment of taxes due. Under the option agreement the closing conditions were to be met by February 22, 2013 and to date Patriot has advanced the sum of $50,000 and issued the shares to Bearing. Final closing is subject to Patriot raising and advancing the funds required to satisfy the remaining closing conditions. The advancement of the KM66 property will be predicated on the closing of the Patriot agreement, but the Patriot agreement does require $200,000 in committed expenditures on or before June 30, 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, which is a gold soil anomaly (defined by the 40 ppb gold threshold) extending over a 1,800m by 600m area that coincides with extensive silicified sedimentary breccias and conglomerate. The Company is currently evaluating the program at Pedro, which includes the possibility of bringing in a partner.

Included in cash and cash equivalents as of January 31, 2013 is $169,158 in flow-through funds which is required to be spent prior to December 31, 2013. It is the Company's current intention to follow up on the 1,002 metre (4 hole) diamond drill program completed in November 2012 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.

No work is currently planned on the Mt Polley ground. The Company is currently considering selling the Boundary Zone Royalty with Imperial Metals, as an avenue to augment the Company's treasury.

The Company's Yukon portfolio currently is subject to three option agreements. 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. RGC 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. The VF property is currently under an option agreement signed with Aben in March 2012 (section 2.4), who have a requirement to spend $100,000 in the first year. The Company's four other properties in the Yukon are also available for joint venture as the Company is not planning on undertaking any work in 2013 on these properties.

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, 2011 | October 31, 2012 | January 31, 2013 |
|---|---|---|---|
| Cash and cash equivalents | 4,582,528 | 1,890,547 | 1,644,100 |
| Accounts receivable and prepaid expenses | 221,204 | 112,381 | 29,433 |
| Investments | - | 3,000 | 2,500 |
| Reclamation bonds and deposits | 21,505 | 21,660 | 21,710 |
| Mineral property interests | 1,048,819 | 884,888 | 889,469 |
| Property, plant and equipment | 67,448 | 48,952 | 44,161 |
| **Total Assets** | **5,941,504** | **2,961,428** | **2,631,373** |

Cash and cash equivalents include $169,158 in proceeds from flow-through financing which are designated for payment of qualifying exploration expenditures in Canada. The decrease in accounts receivable and prepaid expenses is due principally to the receipt of Harmonized Services Tax ("HST") associated with the 2012 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 2.4). Bonds and reclamation deposits relate to the Mt Polley and October Dome properties.

For the period ended January 31, 2013, the Company reported a loss of $0.4 million and as at that date had a net working capital balance of $1.5 million and an accumulated deficit of $11.1 million. The Company has a number of financing and business alternatives available to it. In February 2013, the Company signed the Patriot option agreement (section 2.2 and 3) which would significantly reduce the holding costs associated with the KM66 property, in the event that it closes. In addition, 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, in its current state, 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, 2011 | October 31, 2012 | January 31, 2013 |
|---|---|---|---|
| Zymo | 180,000 | - | - |
| October Dome | 555,057 | 555,057 | 555,057 |
| Mt. Polley | 40,836 | 13,325 | 13,325 |
| Mexico (including Mapimi) | 79,983 | 167,390 | 171,971 |
| Other | 192,943 | 149,116 | 149,116 |
| **Total Mineral property interest** | **1,048,819** | **884,888** | **889,469** |

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 2012 (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 January 31, 2013 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. The increase in January 31, 2013 is reflected to foreign exchange rate movements.

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 | January 31, 2013 |
|---|---|---|---|
| Accounts payable and accrued liabilities | 355,667 | 120,578 | 134,300 |
| Premium liability | 69,465 | - | - |
| **Total Liabilities** | **425,132** | **120,578** | **134,300** |

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.

**Commitments**

| Table 9: Fiscal Year Cash Commitments, as at October 31, 2012 ($)[1] | 2013 | 2014 | 2015 | Thereafter |
|---|---|---|---|---|
| KM66- US$ | 150,000 | 150,000 | 400,000 | 8,375,000 |
| Flume | 150,000 | - | - | - |
| Lease commitments | 47,808 | 11,952 | - | - |

[1] *Table does not consider payments due from Ryan Gold or Patriot.*

**KM66:**
Effective May 3, 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%. The underlying agreement includes a 30-day advance notice period on termination. In February 2013, the Company signed the Patriot option agreement on the KM66 property (refer section 2.2).

**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). 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 (section 2.4)

### 4.3 Equity and Financing

| Table 10: Shareholders' Equity ($) | October 31, 2011 | October 31, 2012 | January 31, 2013 |
|---|---|---|---|
| Common shares | 8,094,885 | 8,677,789 | 8,677,789 |
| Contributed surplus | 4,407,606 | 4,858,379 | 4,900,042 |
| AOCI | (5,999) | (8,470) | (4,078) |
| Deficit (refer to section 5) | (6,980,120) | (10,686,848) | (11,076,680) |
| **Total Shareholders' Equity** | **5,516,372** | **2,840,850** | **2,497,073** |

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 for the Zymo property.

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

| **Table 11: Shareholders' Equity ($)** | **October 31, 2012** | **January 31, 2013** |
|---|---|---|
| Common shares | 25,889,648 | 25,889,648 |
| Options outstanding | | |
| Number | 2,255,000 | 2,148,333 |
| Weighted average price | $0.69 | $0.69 |
| Warrants outstanding | | |
| Number | 214,286 | - |
| Weighted average price | $0.60 | - |
| | | |
| Market capitalization | $3.9 million | $2.6 million |
| Share price | $0.15 | $0.10 |

**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

| | **Quarterly** | | | | | | | | **YTD** | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Table 13: Expenditures ($000's)** | **Q211** | **Q311** | **Q411** | **Q112** | **Q212** | **Q312** | **Q412** | **Q113** | **2012** | **2013** |
| **Revenues** | - | - | - | - | - | - | - | - | - | - |
| Exploration expenditures (Table 14) | 126 | 545 | 1,791 | 248 | 260 | 769 | 1,288 | 183 | 248 | 183 |
| | | | | | | | | | | |
| **Other expenses** | | | | | | | | | | |
| Audit, filing and legal Fees | 2 | 121 | 210 | 33 | 43 | 9 | 18 | 37 | 33 | 37 |
| Consulting and labour | 32 | 111 | 134 | 143 | 138 | 114 | 58 | 72 | 143 | 72 |
| Depreciation and amortization | 1 | 2 | 3 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Finance Income | - | (4) | (17) | (16) | (12) | (7) | (4) | (2) | (16) | (2) |
| FT premium recognition | - | - | (164) | (5) | - | (14) | (51) | - | (5) | - |
| Other costs | 19 | 3 | 3 | 7 | 5 | 2 | 7 | 4 | 7 | 4 |
| Rent and office costs | 11 | 30 | 41 | 32 | 26 | 14 | 23 | 20 | 32 | 20 |
| Share-based payment expense | - | 267 | 140 | 126 | 111 | 91 | 106 | 42 | 126 | 42 |
| Unrealized loss on investment | - | - | - | - | 2 | 1 | 3 | 1 | - | 1 |
| Travel and promotion | 5 | 10 | 2 | 23 | 43 | 25 | 23 | 27 | 23 | 27 |
| Total other expenses | 70 | 540 | 352 | 349 | 362 | 241 | 189 | 207 | 349 | 207 |
| **Net loss** | **196** | **1,085** | **2,143** | **597** | **622** | **1,010** | **1,477** | **390** | **597** | **390** |
| **Basic loss per share** | **N/A** | **$0.09** | **$0.09** | **$0.03** | **$0.03** | **$0.04** | **$0.06** | **$0.02** | **$0.03** | **$0.02** |

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. Q1 2013 costs include costs associated with the Patriot Agreement and filing fees associated with the 2012 financial statements.

Consulting and labour decreased in Q4 2012 and Q1 2013 as the Company looked to conserve cash and restructured some of its personnel. 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 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** | | | | | | | | **YTD** | |
|---|---|---|---|---|---|---|---|---|---|---|
| **($000's)** | **Q211** | **Q311** | **Q411** | **Q112** | **Q212** | **Q312** | **Q412** | **Q113** | **2012** | **2013** |
| Camp & accommodation | 4 | 71 | 257 | 20 | 23 | 55 | 88 | 7 | 20 | 7 |
| Drilling | - | 18 | 888 | - | 72 | 265 | 695 | 5 | - | 5 |
| General & administration | 33 | 46 | 145 | 69 | 77 | 252 | 115 | 112 | 69 | 112 |
| Geology & geochemistry | 89 | 272 | 301 | 132 | 92 | 146 | 85 | 59 | 132 | 59 |
| Geophysics | - | 133 | 200 | 27 | 16 | (1) | - | - | 27 | - |
| Write-down (recoveries) | - | 4 | - | - | (20) | 52 | 305 | - | - | - |
| **Total** | **126** | **545** | **1,791** | **248** | **260** | **769** | **1,288** | **183** | **248** | **183** |
| By Project: | | | | | | | | | | |
| Mexico | 111 | 97 | 177 | 148 | 237 | 605 | 179 | 140 | 148 | 140 |
| Zymo | - | 110 | 1,423 | 34 | 2 | 137 | 895 | - | 34 | - |
| October Dome | 17 | 41 | 21 | 6 | 4 | 19 | 182 | 6 | 6 | 6 |
| Yukon | - | 268 | 128 | 18 | (24) | (33) | - | 2 | 18 | 2 |
| Other | (2) | 29 | 42 | 42 | 41 | 41 | 32 | 35 | 42 | 35 |
| **Total** | **126** | **545** | **1,791** | **248** | **260** | **769** | **1,288** | **183** | **248** | **183** |

Expensed exploration costs in Q3 and Q4 2011 were higher as a result of the work programs at Zymo (refer to section 2.5) and work programs in the Yukon (refer to section 2.4). The increase in Q3 2012 relates to the start of the 2012 exploration program at Zymo and the drilling 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.

## 6 CASH FLOW REVIEW

**Quarterly Discussion (Q1 2013):**

Cash outflow from operating activities was $241,852 (Q112: $709,180) was due principally to the exploration program in Mexico. Cash outflow from financing activities was $nil (Q112: $178,931). Cash outflow from investing activities was $1,017 (Q112 outflow: $20,392).

## 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 January 31, 2013. 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 January 31, 2013, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

### 8.2 Forward Looking Statements

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

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

### 8.3 Other Risks

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

### 8.4 NI 43-101 Compliance Requirements

Under National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"), if an issuer disclosures in writing scientific or technical information about a mineral project on a property material to the issuer, the issuer must include in the written disclosure the name and the relationship to the issuer of the qualified person who: (a) prepared or supervised the preparation of the information that forms the basis for the written disclosure or (b) approved the written disclosure. For the purposes of this MD&A, Robert Cameron, PGeo, 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.

### 8.5 Critical Accounting Policies

**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 period ended January 31, 2013, the Company reported a loss of $0.4 million and as at that date had a net working capital balance of $1.5 million and an accumulated deficit of $11.1 million. The Company has a number of financing and business alternatives available to it. In February 2013, the Company signed the Patriot option agreement with Patriot (section 2.2 and 3) which would significantly reduce the holding costs associated with the KM66 property, in the event that it closes. In addition, 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, in its current state, 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.

**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.

**Other Accounting Policies**

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

The functional currency of the Bearing is the Canadian dollar.

www.bearingresources.ca

Contact: Robert Cameron, President and CEO at rcameron@bearingresources.ca