BEARING RESOURCES LTD.

(An Exploration Stage Company)

Consolidated Financial Statements

For the Year ended October 31, 2013

(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 17, 2013

December 17, 2013

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, 2013 and 2012 and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flow for the years ended October 31, 2013 and October 31, 2012, 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 as issued by the International Accounting Standards Board, 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, 2013 and 2012 and their financial performance and their cash flows for the years ended October 31, 2013 and 2012 then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806, www.pwc.com/ca

Bearing Resources Ltd.

Consolidated Statement of Financial Position

As at October 31, 2013 and 2012

(Expressed in Canadian dollars, except where indicated)

	2013 $	2012 $
Assets		
Current assets		
Cash and cash equivalents (note 4)	948,931	1,890,547
Accounts receivable and prepaid expenses	14,829	112,381
Investments (note 5)	9,001	3,000
	972,761	2,005,928
Non-current assets		
Reclamation bonds and deposits	21,750	21,660
Mineral property interests (note 6)	593,386	884,888
Property, plant and equipment (note 7)	23,223	48,952
	1,611,120	2,961,428
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	33,109	120,578
	33,109	120,578
Shareholders' Equity		
Common shares	8,677,789	8,677,789
Contributed surplus	5,007,069	4,858,379
Accumulated other comprehensive income ("AOCI")	4,511	(8,470)
Deficit	(12,111,358)	(10,686,848)
	1,578,011	2,840,850
	1,611,120	2,961,428

Nature of operations (note 1)
Contingencies (note 14)

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

For the years ended October 31, 2013 and 2012

(Expressed in Canadian dollars, except where indicated)

Expenditures	**2013**	**2012**
	$	**$**
Exploration (note 3)	608,237	2,565,286
Corporate and other costs		
Audit, filing and legal fees	56,019	103,370
Consulting and labour	244,292	453,226
Depreciation and amortization (note 7)	27,282	24,212
Finance income	(22,277)	(37,469)
Flow through premium recognition	-	(69,466)
Other costs	15,669	20,798
Rent and office costs	81,685	94,727
Share-based payment expense	148,690	433,962
Unrealized loss on held-for-trading investment	197,193	5,500
Travel and promotion	67,720	112,582
	816,273	1,141,442
Loss for the year	1,424,510	3,706,728
Other comprehensive income		
Items that may be reclassified subsequently to loss for the year		
Foreign currency translation adjustment	(12,981)	2,471
	(12,981)	2,471
Comprehensive loss for the year	1,411,529	3,709,199
Basic and diluted loss per share ($ per share)	$0.05	$0.15
Weighted average shares outstanding (000's)	25,889	24,294

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, 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 8)	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)	-	-	-	(2,471)	(3,706,728)	(3,709,199)
Balance – October 31, 2012	25,889,648	8,677,789	4,858,379	(8,470)	(10,686,848)	2,840,850
Share Issuances (note 8)	-	-	-	-	-	-
Share Issuance costs	-	-	-	-	-	-
Share-based payments	-	-	148,690	-	-	148,690
Comprehensive income (loss)	-	-	-	12,981	(1,424,510)	(1,411,529)
Balance – October 31, 2013	25,889,648	8,677,789	5,007,069	4,511	(12,111,358)	1,578,011

Bearing Resources Ltd.

Consolidated Statement of Cash Flow

For the years ended October 31, 2013 and 2012

(Expressed in Canadian dollars, except where indicated)

	2013 $	2012 $
Cash flows from operating activities		
Loss for the year	(1,424,510)	(3,706,728)
Items not affecting cash		
Depreciation and amortization (note 7)	27,282	24,212
Flow through premium recognition	-	(69,466)
Share-based payment expense	148,690	433,962
Unrealized loss on held-for-trading investment	206,993	5,500
Mineral property write-downs (recovery)	101,654	390,553
	(939,891)	(2,921,967)
Change in non-cash operating working capital		
Decrease (increase) in accounts receivable & prepaid expenses	97,464	105,796
Increase (decrease) in accounts payable & accrued liabilities	(87,470)	(235,088)
	(929,897)	(3,051,259)
Cash flows from financing activities		
Share issuances, net (note 8)	-	574,715
	-	574,715
Cash flows from investing activities		
Mineral property acquisition costs	(25,000)	(244,396)
Mineral property reimbursements	14,896	37,838
Payments to acquire capital assets	-	(5,322)
	(10,104)	(211,880)
Effect of exchange rate changes on cash and equivalents	(1,615)	(3,557)
Increase in cash and cash equivalents	(941,616)	(2,691,981)
Cash and cash equivalents - Beginning of year	1,890,547	4,582,528
Cash and cash equivalents - End of year	948,931	1,890,547

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

1 Nature of operations

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

Bearing was incorporated on January 13, 2011 as 0900353 B.C. LTD. On March 25, 2011, Levon Resources Ltd. ("Levon") acquired Valley High Ventures Ltd. ("Valley High"), the predecessor corporation to the Company, by way of a court-approved plan of arrangement (the "Arrangement").

2 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 Company. These financial statements were authorized for issue by the Board of Directors on December 17, 2013.

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

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

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

2 Significant accounting policies (continued)

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 for 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 on the statement of financial position when management has established that a resource exists and that the costs can be economically recovered. Once the technical feasibility and commercial viability of the extraction of resources from a particular mineral property has been determined, exploration and evaluation assets are reclassified to mine properties within property, plant and equipment.

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

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

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

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

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

2 Significant accounting policies (continued)

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

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

Valuation of equity units
The Company has adopted a pro-rata 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.

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 initially recorded at their carrying amount which approximates 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.

2 Significant accounting policies (continued)

New 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 new standards and amendments will have a significant impact on its reported results or financial position.

(i) IAS 1, *Presentation of Financial Statements*, had previously been amended to require entities to separate item 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 Company adopted this new disclosure effective November 1, 2013.

(ii) 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.
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 has been deferred to a date subsequent to January 1, 2015.

(iii) IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces *SIC-12, Consolidation—Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*.

(iv) 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.*

(v) 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.

(Expressed in Canadian dollars, except where indicated)

2 Significant accounting policies (continued)

New accounting pronouncements (continued)

(vi) 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.

(vii) 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 arising from IFRS 10 – 13.

3 Exploration costs

Exploration costs are comprised of exploration and evaluation expenses on the following properties/ groupings. For an understanding of the properties/ groupings, reference should be made to note 6. Costs on Mt. Polley are included under the “Other” heading on the following table:

						For the year ended October 31, 2013
$	**Zymo**	**OctDome**	**Yukon**	**Mexico**	**Other**	**Total**
Camp & accommodation	-	-	-	14,793	-	14,793
Drilling	-	171,703	-	-	-	171,703
General & administration	129	12,353	350	170,503	72,462	255,797
Geology & geochemistry	-	1,872	6,991	138,243	3,813	150,919
Geophysics	-	-	-	-	-	-
Write-downs (recoveries)	-	-	132,111	(117,086)	-	15,025
	129	185,928	139,452	206,453	76,275	608,237

						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

(Expressed in Canadian dollars, except where indicated)

4 Cash and cash equivalents

$	2013	2012
Cash	75,024	354,272
Cash equivalents	873,907	1,536,275
	948,931	1,890,547

5 Investments

Held for trading investments ($)	2013	2012
Patriot Minefinders Inc ("Patriot") (1,140,000 shares)	1	-
Aben Resources Ltd. ("Aben") (1,800,000 shares)	9,000	3,000
	9,001	3,000

In February 2013, the Company received 1,200,000 common shares of Patriot in conjunction with the option agreement on the KM66 property (note 6) and recorded the shares at their fair value of $195,994. 60,000 common shares were assigned and will be transferred as part of a finders' fee arrangement.

As of October 31, 2013, as a result of the Company's inability to sell the Patriot shares, Bearing does not consider there to be a market for the Patriot shares and accordingly has recorded the shares at an estimated fair value of $1.

In March 2012, the Company received 100,000 common shares of Aben in conjunction with the option agreement on the VF property (note 6). In August 2013, the Company received a further 1,700,000 Aben common shares conjunction with the VF Property disposal (note 6).

6 Mineral properties

Under the Company's accounting policy property acquisition costs are capitalized.

$	Mexico	OctDome	Mt Polley	Other	Zymo	Total
October 31, 2011	79,983	555,057	40,836	192,943	180,000	1,048,819
Acquisition costs	169,396	-	-	-	125,000	294,396
Write-downs	(85,553)	-	-	-	(305,000)	(390,553)
Property payments received	-	-	(27,511)	(43,827)	-	(71,338)
Exchange differences	3,564	-	-	-	-	3,564
October 31, 2012	167,390	555,057	13,325	149,116	-	884,888
Acquisition costs	-	-	-	25,000	-	25,000
Write-downs (recoveries)	(180,451)	-	-	(149,112)	-	(329,563)
Exchange differences	13,061	-	-	-	-	13,061
October 31, 2013	-	555,057	13,325	25,004	-	593,386

6 Mineral properties (continued)

Mexican Properties:

Pedro gold property: In 2012, the Company staked Pedro Property, in the Mapimi area of Durango, Mexico. In September 2013, the Newmont de Mexico, S.A de C.V ("Newmont") Venture Agreement was signed whereby Newmont may earn an initial 51% interest over a five year period by paying US$800,000 (US$50,000 paid; US$750,000 in year 5) and spending US$2.2 million (US$150,000 by the first anniversary; a cumulative US$400,000 by the third anniversary and a cumulative US$2.2 million by the fifth anniversary). Newmont may earn an additional 24% interest by spending US$10 million, or preparing a pre-feasibility study (whichever comes first) within five years of earning the initial 51%. Following the additional earn-in, Bearing may elect to have Newmont fund all costs to production for an additional 5% interest, Bearing's share of these costs will be recovered by Newmont from 90% of Bearing's share of earnings from mine production.

Other Mapimi properties: Under a May 2012 option agreement the Company had the right to acquire the KM66 silver-gold-lead-zinc property. In February 2013, the Company signed an option agreement whereby Patriot could have earned up to a 75% interest in KM66. Under the option agreement, Patriot paid $50,000 upon signing the agreement and issued 1,200,000 shares (note 5). In April 2013, the option agreement terminated as Patriot failed to advance the US$150,000 due at that date. In April 2013, the Company terminated its option agreement to acquire the KM66 property and wrote off capitalized acquisition costs of $165,536. In May 2012, the Company terminated the Parrandera option agreement and wrote off capitalized acquisition costs of $85,553.

Canadian Properties:

October Dome gold property: The October Dome property is located northwest of Likely, British Columbia, Canada. A portion of the property is subject to a 2% Net Smelter Royalty ("NSR"), with each 0.5% purchasable for $500,000 and 667 hectares are subject to a 1.5% NSR royalty.

Mt. Polley copper-gold properties: The Mt. Polley properties are located adjacent to Imperial Metals Corporation's ("Imperial") producing Mt. Polley open-pit copper gold mine, northeast of Williams Lake, British Columbia, Canada. The Company has a 90% interest in a portion of the Lloyd claims 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 on each claim group with the exception of the Buc claims can be purchased for $500,000 for each one-half percent.

The Mt. Polley properties previously included an additional area adjacent to Imperial's Boundary Zone that was sold to Imperial in which the Company retained a royalty interest. 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.

Yukon: In the Yukon, the Company's portfolio includes the Flume (note 14), HY (subject to a 2%NSR), Jay, VM, VBA and Big properties. It also has royalties on properties owned by Aben and Precipitate Gold Corporation ("Precipitate"). In August 2013, Bearing sold the VF Property to Aben for 1.7 million shares and retained a 2% NSR. Aben had previously been earning a 100% interest in the VF property and had paid $30,000 and issued 100,000 shares. Also, in August 2013, Bearing sold the Jay East property to Precipitate and retained a 2% NSR. Precipitate had previously been earning up to a 70% interest in Jay East property and had made cash payments of $30,000.

In July 2013, the Company wrote down acquisition costs on its HY, Big, Van, Jay, VBA and VM Yukon properties by $149,112.

(Expressed in Canadian dollars, except where indicated)

6 Mineral properties (continued)

Zymo copper-gold property: In November 2012, the Company terminated an option agreement to earn up to a 65% interest in the Zymo property in 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.

7 Property, plant and equipment

$	Vehicles	Other	Total
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	(10,565)	(13,647)	(24,212)
Exchange differences	(147)	-	(147)
October 31, 2012	**(12,575)**	**(18,343)**	**(30,918)**
Net book value			
November 1, 2011	42,006	25,442	67,448
October 31, 2012	**31,835**	**17,117**	**48,952**
Cost			
November 1, 2012	44,410	35,460	79,870
Disposals	-	(2,558)	(2,558)
Exchange differences	2,245	-	2,245
October 31, 2013	**46,655**	**32,902**	**79,557**
Accumulated depreciation			
November 1, 2012	(12,575)	(18,343)	(30,918)
Depreciation expense	(14,132)	(13,150)	(27,282)
Disposals	-	2,558	2,558
Exchange differences	(692)	-	(692)
October 31, 2013	**(27,399)**	**(28,935)**	**(56,334)**
Net book value			
November 1, 2012	31,835	17,117	48,952
October 31, 2013	**19,256**	**3,967**	**23,223**

(Expressed in Canadian dollars, except where indicated)

8 Common shares

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

Issued
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 consisting of 428,572 units. Each unit comprised one common share of the Company and one half of a common share purchase warrant. The units were priced at $0.42. 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 $400,000 non-brokered private placement consisting of 2,000,000 flow-through common shares at a price of $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.

9 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.

In May 2013, the Company received approval to re-price 2,135,000 options from an average exercise price of $0.69 to $0.15. As a result of the re-pricing of the options the Company recognized an additional $6,366 in stock based compensation expense.

	2013		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	(73,334)	0.17	(53,333)	0.72
Expired	(491,666)	0.27	(1,667)	0.72
Outstanding - October 31	1,690,000	0.15	2,255,000	0.69

(Expressed in Canadian dollars, except where indicated)

9 Share stock options and warrants (continued)

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

Number of options Outstanding	Number of options vested and exercisable	Exercise price $	Expiry Date
1,690,000	1,690,000	0.15	July 12, 2016

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

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

For the year ended October 31, 2013 total share-based compensation expense was $148,690 (2012: $433,962).

Warrants

	2013		2012	
	Number of shares	**Weighted average exercise price $**	**Number of shares**	**Weighted average exercise price $**
Outstanding – beginning of year	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 – end of year	**-**	**-**	**214,286**	**0.60**

At October 31, 2013, no warrants were outstanding.

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

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

10 Related party transactions

The Company considers the Officers of the Company to be key management personnel.

$	2013	2012
Short-term employee benefits	283,882	485,557
Share-based payment expense	62,789	155,588
Total key management personnel	346,671	641,145

(Expressed in Canadian dollars, except where indicated)

11 Geographic segmented information

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

$	Mexico	Canada	Total
October 31, 2013			
Loss for the year	216,265	1,208,245	1,424,510
Non-current assets	19,225	619,134	638,359
Total assets	23,957	1,587,163	1,611,120
Total liabilities	328	32,781	33,109
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	23,724	97,304	120,578

12 Income taxes

	2013		2012	
	$	%	$	%
Earnings (loss) before tax	1,424,510	100	3,706,728	100
Income taxes at statutory rates	370,372	26	926,682	25
Difference in foreign tax rates	16,307	1	50,855	1
Non-deductible expenses	(54,141)	(4)	(134,570)	(4)
Tax benefits to be renounced	(55,423)	(4)	(232,521)	(6)
Effect of change in tax rates	13,984	1	6,871	0
Unrecognized tax benefits	(291,101)	(20)	(617,317)	(16)
Income tax recovery	-	-	-	-

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

	2013	2012
	$	$
Mineral property interest	491,989	574,715
Operating losses carried forward	1,146,071	790,089
Share issuance costs	7,565	10,779
Deferred income tax asset	-	-
Unrecognized deferred tax asset	1,645,625	1,375,583

(Expressed in Canadian dollars, except where indicated)

12 Income taxes (continued)

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	-	60,403	60,403
2021	-	456,503	456,503
2022		1,026,134	1,026,134
Thereafter	2,184,410	384,042	2,568,452
Total	2,184,410	1,927,082	4,111,492

13 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, 2013, the Company's held-for-trading investments in Aben, have been measured at fair value on a recurring basis and are classified as as "Level 1".

Fair Values

As at October 31, 2013, the Company's carrying values of cash and cash equivalents, accounts receivable, reclamation bonds and deposits, accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

The Company has no financial assets or liabilities classified as held-for-trading or available-for-sale, other than the Aben and Patriot shares.

Credit Risk

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

Interest Rate Risk

The Company is exposed to interest rate risk on its cash and cash equivalents held at October 31, 2013. A 100 basis point (1%) increase or decrease in the interest rate in 2013 would have resulted in approximately a $14,197 change in the Company's reported loss for the year ended October 31, 2013 based on its closing balance during the fiscal year.

13 Financial instruments (continued)

Liquidity Risk

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

Currency Risk

As at October 31, 2013 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, 2013, 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.

14 Commitments and Contingencies

The following table sets out the fiscal year cash commitments of the Company as of October 31, 2013 and does not consider any subsequent events.

$	2014	2015	2016	Thereafter	Total
Flume option payments	35,000	60,000	50,000	-	145,000
Lease commitments	12,604	-	-	-	12,604
Total	47,604	60,000	50,000	-	157,604

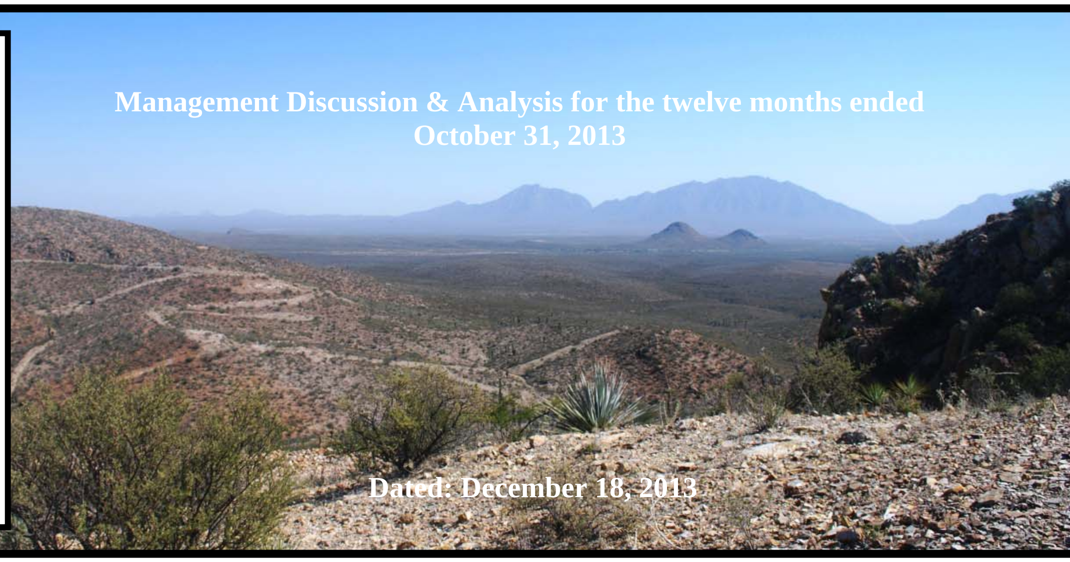
Flume

Bearing may earn a 100% interest in the Flume property by making cash payments totalling $245,000 ($100,000 paid; unpaid: $145,000) and by spending $500,000 (incurred) on exploration. Phelps Dodge Corporation of Canada Limited ("PDC) retains the right to share in the proceeds derived from the sale or option of the property to a third party. PDC also retains a 2% NSR royalty, of which one half can be purchased by Bearing for $1,000,000. Under the original Flume agreement, Bearing was scheduled to pay $150,000 in 2013. In July 2013, Bearing entered into an amending agreement whereby the final payment was amended to $170,000 payable over four years (paid $25,000; unpaid $145,000). Ryan Gold Corp. terminated its option to earn a potential 75% interest in the Flume property in May 2013.

Other

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.

BEARING RESOURCES LTD.



This Management Discussion & Analysis ("MD&A") should be read in conjunction with the Bearing Resources audited financial statements for the years ended October 31, 2013, and 2012, 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 International Financial Reporting Standards ("IFRS") 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:

1 STRATEGY AND PROFILE

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 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. Given the current environment for junior exploration companies the Company has reduced its activities and human resources in an effort to conserve cash and is focusing on finding partners for its existing portfolio of properties.

The Board of Directors is comprised of four Independent & two Executive Directors and one-Non Executive Director. Robert Cameron is the President and CEO of the Company and has over 30 years of experience in the mining industry. The 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 PROJECTS AND CORPORATE UPDATE

- Announced October Dome drill results (Dec 2013)
- Optioned Pedro property to Newmont (Sep 2013)
- Drilling commenced at October Dome (Sep 2013)
- Jay East property sold to Precipitate for a 2% NSR (Aug 2013)
- VF property sold to Aben for 1.7 million shares and a 2% NSR (Aug 2013)
- Corporate and exploration downsizing (May / Jun 2013)
- Ryan Gold terminated option on Flume property (May 2013)
- KM66 Property returned to underlying owner (May 2013)
- Patriot KM66 option agreement terminated (May 2013)
- Signed KM66 option agreement with Patriot (Feb 2013)
- Announced KM66 Letter of Intent (Nov 2012)
- Announced October Dome drill results (Nov 2012)

2.1 Mexico Exploration

In Mexico, the Company's focus is on the wholly owned Pedro claims (~25,000 hectares) in Durango, Mexico. The Pedro claims are located approximately 100 kilometres from the Penoles smelter at Torreon, and is bisected by a paved highway and power lines.

In 2012 the Company completed a soil and rock sampling program that led to the discovery of a number of new targets including the HP Breccia gold prospect and the Las Lajas gold prospect at Pedro. 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).

In September 2013, the Company entered into a Venture Agreement with Newmont de Mexico, S.A de C.V ("Newmont"), whereby Newmont may earn an initial 51% interest over a five year period by paying US$800,000 (US$50,000 paid; US$750,000 in year 5) and spending US$2.2 million in expenditures (US$150,000 by the first anniversary; a cumulative US$400,000 by the third anniversary and a cumulative US$2.2 million by the fifth anniversary). Newmont may earn an additional 24% interest by spending US$10 million, or preparing a pre-feasibility study (whichever comes first) within five years of earning the initial 51%. Following the additional earn-in, Bearing may elect to have Newmont fund all costs to production for an additional 5% interest, Bearing's share of these costs will be recovered by Newmont from 90% of Bearing's share of earnings from mine production.

The Company previously had a larger land position that included the KM66 and Parrandera property. In February 2013, the Company entered into an option agreement whereby Patriot Minefinders Ltd ("Patriot") could earn up to a 75% interest in KM66. Under the agreement, Patriot paid $50,000 and issued the 1.2 million shares to Bearing. The agreement terminated after Patriot failed to advance the funds due under the agreement. As a result in May 2013, the Company terminated its underlying agreement to acquire a 100% interest in KM66.

Table 1:Mexico Expenditure	Quarter								Annual	
$	Q112	Q212	Q312	Q412	Q113	Q213	Q313	Q413	2012	2013
Camp & accommodation	18,550	22,417	20,606	14,437	6,493	7,936	364	-	76,010	14,793
Drilling	-	72,062	160,606	1,602	-	-	-	-	234,270	-
General & administration	23,603	32,827	195,885	78,487	77,225	57,301	40,484	(4,507)	330,802	170,503
Geology & geochemistry	81,560	94,142	143,254	84,320	56,628	56,635	24,980	-	403,275	138,243
Geophysics	24,724	15,472	(588)	54	-	-	-	-	39,663	-
Write-downs (recoveries)	-	-	85,553	-	-	(79,467)	(991)	(36,628)	85,553	(117,086)
Total exploration	**148,437**	**236,920**	**605,316**	**178,900**	**140,346**	**42,405**	**64,837**	**(41,135)**	**1,169,573**	**206,453**
Acquisition costs (net)	15,509	5,821	63,188	1,973	-	(166,527)	991	-	167,390	(165,536)
Total exploration & acquisition	**163,946**	**242,741**	**668,504**	**180,873**	**140,346**	**(124,122)**	**65,828**	**(41,135)**	**1,336,963**	**40,917**

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

General & administration includes the provision for value added taxes (“VAT”) in Mexico. 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 for VAT on the Parrandera drill program. Q1 2013 general & administration costs include the payment of the first semester taxes for KM66 and Pedro. The Q2 2013 costs include the second semester taxes on KM66 that were payable by Bearing under the terms of the KM66 option agreement. Q3 2013 costs include second semester taxes on Pedro. Q4 2013 included a reversal of VAT provision associated with the payment from Newmont on Pedro.

Prior to Q4 2013, Geology & geochemistry costs were principally the costs of 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 the 12 line kilometres of induced polarization (“IP”) and magnetics survey work undertaken at Parranderra. Work in Q1 and Q2 2013 was focused mostly on detailed geological mapping of the HP Breccia discovery on the Pedro property, as well as detailed mapping and core re-logging on KM66. The reduction in Q3 2013and onwards costs is consistent with the reduction in our Mexican exploration team.

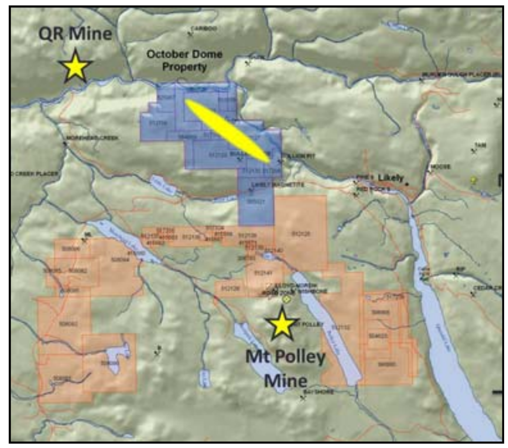
The write-down in Q3 2012 relates to the previously capitalized acquisition costs on the Parrandera property. In Q2 2013 the Company wrote down $166,527 in previously capitalized acquisition costs on KM66, this was offset by $50,000 received from Patriot and the deemed value of the 1.2 million Patriot shares received ($195,993).

Acquisition costs include US$150,000 for KM66, net of write-offs associated with Parrandera which reduced the net acquisition costs (costs capitalised) for Q3 2012 to $63,188. The Q2 2013 amount relates to aforementioned write down of acquisition costs associated with KM66.

2.2 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 return (“NSR”) royalties 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.

Table 2:October Dome Expenditure	Quarterly								Annual	
$	**Q112**	**Q212**	**Q312**	**Q412**	**Q113**	**Q213**	**Q313**	**Q413**	**2012**	**2013**
Camp & accommodation	-	-	-	1,069	-	-	-	-	1,069	-
Drilling	-	-	2,658	175,679	4,780	-	4,078	162,845	178,337	171,703
General & administration	4,531	3,491	15,000	5,064	-	5,554	994	5,804	28,086	12,353
Geology & geochemistry	915	230	1,916	691	990	353	20	510	3,752	1,872
Geophysics	-	-	-	-	-	-	-		-	-
Write-down (recoveries)	-	-	-	-	-	-	-		-	-
Total exploration	**5,446**	**3,721**	**19,574**	**182,503**	**5,770**	**5,907**	**5,092**	**169,159**	**211,244**	**185,928**
Acquisition costs	-	-	-	-	-	-	-	-	-	-
Total acquisition & exploration	**5,446**	**3,721**	**19,574**	**182,503**	**5,770**	**5,907**	**5,092**	**169,159**	**211,244**	**185,928**



General & administration in 2012 and Q2 2013 relate to ongoing consultation costs and capacity funding for First Nations.

In Q4 2012, the Company completed a 1,002 metre (4 hole) diamond drill program. For full details of the drill results reference should be made to the Company's news release dated November 8, 2012.

In Q4 2013, the Company completed a 1,086 metre (6 hole) diamond drill program (refer news release dated Dec 2, 2013) which targeted the northern end of the 4 km long gold and arsenic soil anomaly that is coincident with an induced polarization ("IP") chargeability anomaly, some 1,200 to1,900 metres northwest of the area drill tested in the 2012 drill pattern. Holes OD-5 through OD- 7 encountered diorite and monzonite intrusions within hornfelsed sediments and propylitised basalts. Alteration in the drill holes is pervasive, comprised of intense propylitic alteration with pyrite, epidote and minor chalcopyrite with elevated gold values throughout the holes. Hole OD-6 encountered a 15 metre core length of massive magnetite skarn with semi-massive pyrite layers accompanied by chalcopyrite, epidote, and garnet at the sediment/basalt contact. A 9 metre section of this skarn assayed 0.7 grams per tonne ("gpt") gold ("Au") including a 3 metre length that returned 1.3 gpt Au.

2.3 Yukon Properties

In the Yukon, the Company's portfolio includes the Flume (3,900 hectares), HY (1,000 hectares), Jay (3,110 hectares), VM (2,160 hectares), VBA (1,672 hectares) and Big (790 hectares) properties. It also has royalties on 2,900 hectares owned by Aben Resources Ltd. ("Aben") and 2,240 hectares owned by Precipitate Gold Corporation ("Precipitate").

Flume Property: In May 2013, Ryan Gold Corp ("RGC") terminated its option on the Flume property (Section 4.2). 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.

HY Property: The Company has a 100% interest in the HY claims, subject to a 2% NSR.

Yukon Royalties: In August 2013, Bearing sold the VF Property to Aben for 1.7 million shares and retained a 2% NSR, it also sold the Jay East property to Precipitate and retained a 2% NSR. Aben had previously been earning a 100% interest in the VF property and had paid $30,000 and issued 100,000 shares. Precipitate had previously been earning up to a 70% interest in Jay East property and had made cash payments of $30,000.

Table 3:Yukon Expenditure				Quarterly					Annual	
$	Q112	Q212	Q312	Q412	Q113	Q213	Q313	Q413	2012	2013
Camp & accommodation	-	-	-	-	-	-	-	-	-	-
General & administration	-	-	-	-	350	-	-	-	-	350
Geology & geochemistry	17,928	(3,697)	455	(406)	1,306	-	5,685	-	14,281	6,991
Geophysics	-	-	-	-	-	-	-	-	-	-
Write-down (Recoveries)	-	(19,673)	(33,750)	-	-	-	149,111	(17,000)	(53,423)	132,111
Total exploration	**17,928**	**(23,370)**	**(33,295)**	**(406)**	**1,656**	**-**	**154,796**	**(17,000)**	**(39,142)**	**139,452**
Acquisition costs (net)	-	(18,828)	(25,000)	-	-	-	(124,111)	-	(43,827)	(124,111)
Total acquisition & evaluation	**17,928**	**(42,198)**	**(58,295)**	**(406)**	**1,656**	**-**	**30,685**	**(17,000)**	**(82,969)**	**15,341**

Recoveries relate to option payments received in excess of our cost base. For Flume, in Q3 2012 the Company recognized recoveries of $33,750. In Q2 2012, the Company received $30,000 in cash and 100,000 shares from Aben (fair value: $8,500). Of this amount $18,827 was applied against previously deferred costs and $19,673 was recognized as a recovery. In Q3 2013, the Company wrote-down the carrying value of certain Yukon properties by $149,111. In Q4 2013 the Company sold the VF Property to Aben Resources Ltd for 1.7 million shares (deemed value of $17,000) and a 2% NSR.

The Yukon properties are on a care & maintenance therefore expenditure in 2013 was limited. The Q3 2013 payment of $25,000 relates to the Flume property (section 4.2).

3 OUTLOOK

Over the last twelve months the Company has focussed on cost controls and establishing a low cost operating stasis. The Company has positioned its property portfolio to a state wherein all projects can be maintained for several years at low to zero holding costs. As a result it has sufficient working capital to maintain its current portfolio of properties and continue to seek opportunities for the foreseeable future.

The Newmont Venture agreement ensures that the Pedro Property, discovered in 2012, continues to be advanced at no cost to the Company, and we anticipate Newmont drill testing Pedro shortly.

The results from the Q4 2013 October Dome drill program, which was funded through a 2012 flow through share issuance, were generally positive with the elevated gold values being encountered in a gold skarn environment similar geologically to the nearby QR Gold Mine. The Company is currently evaluating the best way to move this prospect forward.

The Company continues to follow the developments at Imperial's Mt Polley operations where it has a royalty over portions of the Boundary Zone. The Company also added to its royalty portfolio in August with the conversion of the option agreements on the VF and Jay East properties into royalties.

The Company intends to seek a new joint venture partner for Flume property which was returned by Ryan Gold in May 2013. As of November 30, 2013, the Company had cash and cash equivalents of $0.9 million.

4 FINANCIAL POSITION REVIEW

4.1 Assets

Table 6: Assets ($)	October 31, 2011	October 31, 2012	October 31, 2013
Cash and cash equivalents	4,582,528	1,890,547	948,931
Accounts receivable and prepaid expenses	221,204	112,381	14,829
Investments	-	3,000	9,001
Reclamation bonds and deposits	21,505	21,660	21,750
Mineral property interests	1,048,819	884,888	593,386
Property, plant and equipment	67,448	48,952	23,223
Total Assets	**5,941,504**	**2,961,428**	**1,611,120**

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 as of October 31, 2013 are comprised of 1.8 million Aben shares that are marked to market, that were received in conjunction with the VF property (section 2.4). It also includes 1.14 million shares in Patriot, as of October 31, 2013, as a result of Company's inability to sell the Patriot shares, Bearing does not consider there to be a market for the Patriot shares and accordingly has recorded the shares at an estimated fair value of $1.

Bonds and reclamation deposits relate to the Mt Polley and October Dome properties.

The Company believes it has sufficient cash and cash equivalents to maintain its current portfolio of exploration properties and meet its' working capital requirements for the next twelve months.

Table 7: Mineral property interests ($)	**October 31, 2011**	**October 31, 2012**	**October 31, 2013**
October Dome	555,057	555,057	555,057
Mt. Polley	40,836	13,325	13,325
Mexico (including Mapimi)	79,983	167,390	-
Yukon	192,943	149,116	25,004
Zymo	180,000	-	-
Total Mineral property interest	**1,048,819**	**884,888**	**593,386**

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

The Mt. Polley properties is 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 (~37 hectares) adjacent to Imperial's Boundary Zone that was sold to Imperial which the Company retained a royalty. 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 in Q1 2012, based on tonnes milled from August to October 2011. The receipt of these royalties was applied to deferred acquisition costs on the Mt Polley properties.

In April 2013, the Company wrote off the deferred costs associated with KM66. In Q4 2013, the Company received US$50,000 from Newmont which resulted in the acquisition costs being recovered on Pedro and a $36,628 recovery in the income statement.

Yukon mineral property interests decreased in Q3 2013, as the Company wrote down its carrying costs of its JAY, HY, BIG/VBA and VM properties to $1 each. The remaining balance of $25,000 relates to the payment in Q3 2013, of an option payment on the Flume Property (section 4.2).

4.2 Liabilities and Commitments

Table 8: Liabilities ($)	**October 31, 2011**	**October 31, 2012**	**October 31, 2013**
Accounts payable and accrued liabilities	355,667	120,578	33,109
Premium liability	69,465	-	-
Total Liabilities	**425,132**	**120,578**	**33,109**

The decrease in accounts payable is consistent with the reduction in the Company's activity levels.

Commitments

Table 9: Fiscal Year Commitments, as at October 31 ($)	2014	2015	2016	Thereafter	Total
Flume	35,000	60,000	50,000	-	145,000
Lease commitments	12,604	-	-	-	12,604
	47,604	60,000	50,000	-	157,604

Flume:
Bearing may earn a 100% interest in the Flume property by making cash payments totalling $245,000 ($100,000 paid; unpaid: $145,000) and by spending $500,000 (incurred) on exploration. Phelps Dodge Corporation of Canada Limited ("PDC") retains the right to share in the proceeds derived from the sale or option of the property to a third party. PDC also retains a 2% NSR royalty, of which one half can be purchased by Bearing for $1,000,000. Under the Original Flume Agreement, Bearing was scheduled to pay $150,000 in 2013. In July 2013, Bearing entered into an amending agreement whereby the final payment was amended to $170,000 payable over four years (paid $25,000; unpaid $145,000)

Ryan Gold Corp. ("RGC") terminated a right to earn a potential 75% interest in the Flume property in May 2013. RGC had incurred over $1,500,000 in qualified expenditures, and made cash payments of $175,000.

4.3 Equity and Financing

Table 10: Shareholders' Equity ($)	October 31, 2011	October 31, 2012	October 31, 2013
Common shares	8,094,885	8,677,789	8,677,789
Contributed surplus	4,407,606	4,858,379	5,007,069
AOCI	(5,999)	(8,470)	4,511
Deficit (refer to section 5)	(6,980,120)	(10,686,848)	(12,111,358)
Total Shareholders' Equity	**5,516,372**	**2,840,850**	**1,578,011**

Table 11: - Use of Proceeds Table

Description	Shares (000's)	Price $	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	As intended

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.

Table 12: Shareholders' Equity ($)	October 31, 2012	October 31, 2013
Common shares	25,889,648	25,889,648
Options outstanding		
Number	2,255,000	1,690,000
Weighted average price	$0.69	$0.15
Warrants outstanding		
Number	214,286	-
Weighted average price	$0.60	-
Market capitalization	$3.9 million	$1.3 million
Share price	$0.15	$0.05

5 EXPENDITURE REVIEW

Table 13: Expenditures ($000's)	Quarterly								Annual	
	Q112	**Q212**	**Q312**	**Q412**	**Q113**	**Q213**	**Q313**	**Q413**	**2012**	**2013**
Revenues	-	-	-	-	-	-	-	-	-	-
Exploration expenditures (Table 14)	248	260	769	1,288	183	69	245	110	2,565	608
Other expenses										
Audit, filing and legal Fees	33	43	9	18	37	10	18	(9)	103	56
Consulting and labour	143	138	114	58	72	78	55	39	453	244
Depreciation and amortization	6	6	6	6	6	6	6	9	24	27
Finance income	(16)	(12)	(7)	(4)	(2)	(1)	(16)	(3)	(38)	(22)
FT premium recognition	(5)	-	(14)	(51)	-	-	-	-	(70)	-
Other costs	7	5	2	7	4	6	3	2	21	15
Rent and office costs	32	26	14	23	20	20	22	20	95	82
Share-based payment expense	126	111	91	106	42	38	66	2	434	149
Unrealized loss on investment	-	2	1	3	1	88	(135)	243	6	197
Travel and promotion	23	43	25	23	27	24	17	-	113	68
Total other expenses	349	362	241	189	207	269	37	303	1,141	816
Net loss	**597**	**622**	**1,010**	**1,477**	**390**	**338**	**282**	**412**	**3,706**	**1,423**
Other comprehensive income	(2)	6	2	(3)	(4)	(14)	3	2	3	(13)
Comprehensive loss	**595**	**648**	**1,012**	**1,474**	**386**	**324**	**285**	**410**	**3,709**	**1,410**
Basic loss per share	**$0.03**	**$0.03**	**$0.04**	**$0.06**	**$0.02**	**$0.01**	**$0.01**	**$0.01**	**$0.15**	**$0.05**

As the Company is in the exploration and development stage it has no sales or revenues. Audit, filing and legal fees in 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. The credit in Q4 2013 was associated with a reduction in the provision for audit services.

Consulting and labour decreased from the first three quarters of 2013 as the Company looked to conserve cash and restructured some of its personnel. Q4 2013 costs are also lower due to the allocation of a portion of the President and CEO time in the field to the October Dome drill program. Finance income is comprised of interest income on the Company's cash and cash equivalents.

The FT premium recognition arose from incurring Canadian exploration expenditures related to the 2011 flow-through financing. 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 grant of options. The significant decrease in Q4 2013 is due to almost all of the stock options being vested and therefore expensed. Unrealized losses in Q2 2013 principally relate to the mark to market losses on the 1.14 million Patriot shares (section 2.1) and Q3 2013 gain represents the subsequently recovery of the Patriot shares. The Company wrote the investment down to $1 refer to section 4.1.

Travel and promotion expenses decreased due to the corporate downsizing during fiscal 2013.

Table 14: Expensed Exploration	Quarterly								Annual	
($000's)	Q112	Q212	Q312	Q412	Q113	Q213	Q313	Q413	2012	2013
Camp & accommodation	20	23	55	88	7	8	-	-	186	15
Drilling	-	72	265	695	5	-	4	162	1,032	171
General & administration	69	77	252	115	112	83	59	1	513	256
Geology & geochemistry	132	92	146	85	59	58	33	1	455	151
Geophysics	27	16	(1)	-	-	-	-	-	42	-
Write-down (recoveries)	-	(20)	52	305	-	(79)	148	(54)	337	15
Total	**248**	**260**	**769**	**1,288**	**183**	**69**	**245**	**110**	**2,565**	**608**
By Project:										
Mexico (Section 2.1)	148	237	605	179	140	42	65	(41)	1,169	206
Zymo (refer below)	34	2	137	895	-	-	-	-	1,068	-
October Dome (Section 2.2)	6	4	19	182	6	6	5	168	211	185
Yukon (Section 2.3)	18	(24)	(33)	-	2	-	155	(17)	(39)	139
Other (refer below)	42	41	41	32	35	21	20	-	156	77
Total	**248**	**260**	**769**	**1,288**	**183**	**69**	**245**	**110**	**2,565**	**608**

Expensed exploration costs 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 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). Q4 2013 drill costs relate to the 1,087m program at October Dome.

Recoveries in Q2 2012 relate to proceeds from the VF option agreement 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. Q3 2013 includes write downs on our Yukon properties. Recoveries in Q4 2013 relate to the deemed value of the 1.7 million Aben shares and the recovery in excess of the acquisition costs for Pedro from Newmont.

6 CASH FLOW REVIEW

Quarterly (Q4 2013): Cash outflow from operating activities was $205,726 (Q412: $1,270,111) were principally associated with the 2013 drill program at October Dome. Cash outflow from financing activities was $nil (Q412: $479). Cash inflow from investing activities was $14,896 (Q412: $15) as a result of the recovery of the previous deferred acquisition costs on Pedro with the payment received from Newmont.

Annual (2013): Cash outflow from operating activities was $929,897 (2012: $3,051,259) were principally associated with maintaining & managing our exploration portfolio and the October 2013 drill program. Cash outflow from financing activities was $nil (2012: $575,194). Cash outflow from investing activities was $10,104 (2012: $211,894) as a result of the $25,000 payment on Flume less monies received for Pedro.

7 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, by way of a court-approved plan of arrangement (the "Arrangement"), at which time Bearing began operating as a standalone entity. 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.

Bearing began operations on March 26, 2011. On June 10, 2011, Bearing began trading on the TSX Venture Exchange.

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, 2013.

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, 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 October 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 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 Company 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 Company'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 Company 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. 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 Company 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

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.

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

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.

New 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 new standards and amendments will have a significant impact on its reported results or financial position.

(i) IAS 1, *Presentation of Financial Statements*, had previously been amended to require entities to separate item 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 Company adopted this new disclosure effective November 1, 2013.

(ii) 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.

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 has been deferred to a date subsequent to January 1, 2015.

(iii) IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces *SIC-12, Consolidation—Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*.

(iv) 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.*

(v) 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

(vi) 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.

(vii) 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 arising from IFRS 10 – 13.

The functional currency of the Bearing is the Canadian dollar.

www.bearingresources.ca

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