BEARING RESOURCES LTD.

Consolidated Financial Statements

For the Year ended October 31, 2014

(Expressed in Canadian dollars, except where indicated)

Management’s Responsibility for Financial Reporting

The consolidated financial statements of Bearing Resources Ltd. 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 18, 2014

Bearing Resources Ltd.

Consolidated Statement of Financial Position

As at October 31, 2014 and 2013

(Expressed in Canadian dollars, except where indicated)

	2014 $	2013 $
Assets		
Current assets		
Cash and cash equivalents (note 4)	728,975	948,931
Accounts receivable and prepaid expenses	4,819	14,829
Investments (note 5)	7,201	9,001
	740,995	972,761
Non-current assets		
Reclamation bonds and deposits	21,867	21,750
Mineral property interests (note 6)	593,386	593,386
Property, plant and equipment	-	23,223
	1,356,248	1,611,120
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	17,491	33,109
	17,491	33,109
Shareholders' Equity		
Common shares	8,677,789	8,677,789
Contributed surplus	5,023,092	5,007,069
Accumulated other comprehensive income ("AOCI")	5,286	4,511
Deficit	(12,367,410)	(12,111,358)
	1,338,757	1,578,011
	1,356,248	1,611,120

Contingencies (note 13)

Approved by the Board of Directors

"Eduard Epshtein"
Director

"Amar Balaggan"
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, 2014 and 2013

(Expressed in Canadian dollars, except where indicated)

Expenditures	**2014**	**2013**
	$	**$**
Exploration costs (note 3)	17,551	608,237
Corporate and other costs		
Audit, filing and legal fees	56,970	56,019
Consulting and labour	136,854	244,292
Depreciation and amortization	5,328	27,282
Finance income	(10,656)	(22,277)
Other costs	(5,611)	15,669
Rent and office costs	37,793	81,685
Share-based payment expense (note 8)	16,023	148,690
Unrealized loss on held-for-trading investment	1,800	197,193
Travel and promotion	-	67,720
	238,501	816,273
Loss for the year	256,052	1,424,510
Other comprehensive income		
Items that may be reclassified subsequently to loss for the year		
Foreign currency translation adjustment	(775)	(12,981)
	(775)	(12,981)
Comprehensive loss for the year	255,277	1,411,529
Basic and diluted loss per share ($ per share)	$0.01	$0.05
Weighted average shares outstanding (000's)	25,889	25,889

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

Bearing Resources Ltd.

Consolidated Statement of Shareholders' Equity

For the years ended October 31, 2014 and 2013

(Expressed in Canadian dollars, except where indicated)

	Common shares					
	No. of shares #	Amount $	Contributed Surplus $	AOCI $	Deficit $	Shareholders' equity $
Balance – October 31, 2012	25,889,648	8,677,789	4,858,379	(8,470)	(10,686,848)	2,840,850
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
Share-based payments	-	-	16,023	-	-	16,023
Comprehensive income (loss)	-	-	-	775	(256,052)	(255,277)
Balance – October 31, 2014	25,889,648	8,677,789	5,023,092	5,286	(12,367,410)	1,338,757

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

Bearing Resources Ltd.

Consolidated Statement of Cash Flow

For the years ended October 31, 2014 and 2013

(Expressed in Canadian dollars, except where indicated)

	2014 $	2013 $
Cash flows from operating activities		
Loss for the year	(256,052)	(1,424,510)
Items not affecting cash		
Depreciation and amortization	5,328	27,282
Share-based payment expense	16,023	148,690
Unrealized loss on held-for-trading investment	1,800	206,993
Mineral property write-downs	-	101,654
	(232,901)	(939,891)
Change in non-cash operating working capital		
Decrease (increase) in accounts receivable & prepaid expenses	9,893	97,464
Increase (decrease) in accounts payable & accrued liabilities	(15,617)	(87,470)
	(238,625)	(929,897)
Cash flows from financing activities		
Share issuances, net	-	-
	-	-
Cash flows from investing activities		
Mineral property acquisition costs	-	(25,000)
Mineral property reimbursements	-	14,896
Receipts from capital asset dispositions	17,894	-
	17,894	(10,104)
Effect of exchange rate changes on cash and equivalents	775	(1,615)
Increase in cash and cash equivalents	(219,956)	(941,616)
Cash and cash equivalents - Beginning of year	948,931	1,890,547
Cash and cash equivalents - End of year	728,975	948,931

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 in the exploration and development of mineral properties in Mexico and Canada. The Company's registered office is Suite 2600, Oceanic Plaza, 1066 West Hastings Street, 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 18, 2014.

Consolidation
These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries; BRZ Mex Holdings Ltd, 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 also 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 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 the 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.

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.

(Expressed in Canadian dollars, except where indicated)

2 Significant accounting policies (continued)

New accounting pronouncements

Unless otherwise noted, the following revised standards and amendments are effective for annual periods of the Company beginning on or after November 1, 2014 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) The completed version of IFRS 9, *Financial Instruments*, was issued in July 2014. The completed standard provides revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. The new hedging guidance that was issued in November 2013 is incorporated into this new final standard. This final version of IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the effect of this standard.

(ii) IFRIC 21, Accounting for Levies imposed by Governments, clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. IFRIC 21 is effective for the Company beginning on January 1, 2014. The Company is currently assessing the impact of this guidance.

(iii) In May 2014, IFRS 15, Revenue from Contracts with Customers was issued which establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently assessing the effect of this standard.

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, 2014				
$	**OctDome**	**Yukon**	**Mexico**	**Other**	**Total**
Camp & accommodation	-	-	-	-	-
Drilling	2,971	-	-	-	2,971
General & administration	2,327	-	12,253	-	14,580
	5,298	-	12,253	-	17,551

	For the year ended October 31, 2013				
$	**OctDome**	**Yukon**	**Mexico**	**Other**	**Total**
Camp & accommodation	-	-	14,793	-	14,793
Drilling	171,703	-	-	-	171,703
General & administration	12,353	350	170,503	72,591	255,797
Geology & geochemistry	1,872	6,991	138,243	3,813	150,919
Write-downs (recoveries)	-	132,111	(117,086)	-	15,025
	185,928	139,452	206,453	76,404	608,237

(Expressed in Canadian dollars, except where indicated)

4 Cash and cash equivalents

$	2014	2013
Cash	104,633	75,024
Cash equivalents	624,342	873,907
	728,975	948,931

5 Investments

Held for trading investments **($)**	**2014**	**2013**
Patriot Minefinders Inc ("Patriot") (1,140,000 shares)	1	1
Aben Resources Ltd. ("Aben") (180,000 shares) (note 6)	7,200	9,000
	7,201	9,001

The Company received 1,200,000 Patriot common shares (note 6), 60,000 common shares were assigned 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 2014, Aben completed a 10 for 1 consolidation of its shares.

6 Mineral property interests

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

$	Mexico	OctDome	Mt Polley	Other	Total
October 31, 2012	167,390	555,057	13,325	149,116	884,888
Acquisition costs	-	-	-	25,000	25,000
Write-downs	(180,451)	-	-	(149,112)	(329,563)
Exchange differences	13,061	-	-	-	13,061
October 31, 2013	-	555,057	13,325	25,004	593,386
Acquisition costs	-	-	-	-	-
Write-downs (recoveries)	-	-	-	-	-
October 31, 2014	-	555,057	13,325	25,004	593,386

Canadian Properties:

The **October Dome gold 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. A further 667 hectares are subject to a 1.5% NSR royalty.

The **Mt. Polley copper-gold properties** are located adjacent to Imperial Metals Corporation's ("Imperial") 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.

6 Mineral property interests (continued)

The Mt. Polley properties previously included an additional area adjacent to Imperial's Boundary Zone that was sold to Imperial over 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. 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. Three royalty payments were received in 2012.

In the **Yukon**, the Company's portfolio includes the Flume (note 13), 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.

Mexican Properties:

Effective July 1, 2014 Newmont de Mexico, S.A de C.V ("Newmont") terminated a September 2013 Venture Agreement over the Pedro gold property. Newmont paid US$50,000 and undertook a 1,744m drill program. In February 2013, the Company signed an option agreement whereby Patriot could have earned up to a 75% interest in the KM66 silver-gold-lead-zinc property.

Under the terminated option agreement, Patriot paid $50,000 upon signing the agreement and issued 1,200,000 shares. Following the Patriot option termination, Bearing terminated the underlying option agreement to acquire the KM66 property in April 2013 and wrote off capitalized acquisition costs of $165,536.

7 Common shares

Authorized

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

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.

8 Share stock options

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.

(Expressed in Canadian dollars, except where indicated)

8 Share stock options (continued)

	2014		2013	
	Number of shares	**Weighted average exercise price $**	**Number of shares**	**Weighted average exercise price $**
Outstanding - October 31	1,690,000	0.15	2,255,000	0.69
Granted	800,000	0.05	-	-
Forfeited			(73,334)	0.17
Expired	(1,190,000)	(0.15)	(491,666)	0.27
Outstanding - October 31	1,300,000	0.09	1,690,000	0.15

As of October 31, 2014, the following stock options were outstanding:

Number of options Outstanding	**Number of options vested and exercisable**	**Exercise price $**	**Expiry Date**
500,000	500,000	0.15	July 12, 2016
800,000	800,000	0.05	August 1, 2019
1,300,000	1,300,000		

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, 2014 total share-based compensation expense was $16,023 (2013: $148,690).

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

	Options
Risk-free interest rate	0.95% to 1.92%
Expected life	2.0 to 3.5 years
Expected volatility	100-120%
Expected dividend	nil

9 Related party transactions

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

$	**2014**	**2013**
Short-term employee benefits	121,651	283,882
Share-based payment expense	3,752	62,789
Total key management personnel	125,403	346,671

(Expressed in Canadian dollars, except where indicated)

10 Geographic segmented information

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

$	Mexico	Canada	Total
October 31, 2014			
Non-current assets	-	615,253	615,253
October 31, 2013			
Non-current assets	19,225	619,134	638,359

11 Income taxes

	2014 $	%	2013 $	%
Earnings (loss) before tax	(256,052)	100	(1,424,510)	100
Income taxes at statutory rates	66,573	26	370,372	26
Difference in foreign tax rates	545	-	16,307	1
Non-deductible expenses	(7,041)	(3)	(54,141)	(4)
Tax benefits to be renounced	-	-	(55,423)	(4)
Effect of change in tax rates	-	-	13,984	1
Unrecognized tax benefits	(60,077)	(23)	(291,099)	(20)
Income tax recovery	-	-	-	-

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

	2014 $	**2013** $
Mineral property interest	494,915	491,989
Operating losses carried forward	1,193,330	1,146,071
Share issuance costs	3,920	7,565
Deferred income tax asset	-	-
Unrecognized deferred tax asset	1,692,165	1,645,625

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			
2021	-	219,282	219,282
2022	-	1,129,881	1,129,881
2023	-	533,831	533,831
2024	-	13,145	13,145
Thereafter	2,401,879	-	2,401,879
Total	2,401,879	1,896,139	4,298,018

12 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 disclosure requires information 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, 2014, 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, 2014, 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, 2014. A 100 basis point (1%) increase or decrease in the interest rate in 2014 would have resulted in approximately an $8,390 change in the Company's reported loss for the year ended October 31, 2014 based on its closing balance during the fiscal year.

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

Currency Risk
As at October 31, 2014 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.

(Expressed in Canadian dollars, except where indicated)

13 Commitments and Contingencies

The following table sets out the fiscal year cash commitments of the Company as of October 31, 2014 and does not consider any subsequent events.

$	2014	2015	2016	Thereafter	Total
Flume option payments	35,000	60,000	50,000	-	145,000
Total	35,000	60,000	50,000	-	145,000

Flume
Subsequent to year end, Bearing exercised its option agreement to acquire the Flume property. The outstanding balance of $145,000 was waived in return for an additional 0.5% NSR. Bearing now owns the Flume property subject to a 2.5% NSR. The NSR can be reduced at any time to 1% NSR by paying to $1,500,000.

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.

Management Discussion & Analysis for the twelve months ended October 31, 2014

Dated: December 18, 2014

The following information is prepared in accordance with International Financial Reporting Standards ("IFRS") in Canadian dollars, unless otherwise noted. This Management Discussion & Analysis ("MD&A") should be read in conjunction with the Company's audited financial statements for the years ended October 31, 2014, and 2013, which are available on SEDAR (www.sedar.com).

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

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

Table of Contents:

1 PROFILE AND CORPORATE UPDATE

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 is currently operating with reduced activity levels in order to control costs and maintain the treasury. On May 14, 2014 the Company announced that it intends to seek new opportunities that may include opportunities outside the mining and exploration sector.

Bearing was incorporated on January 13, 2011 as 0900353 B.C. LTD, 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 began operations on March 26, 2011 and commenced trading on the TSX Venture Exchange on June 10, 2011. The Board of Directors is comprised of three Independent Directors (Kirk Shaw; Amar Balaggan and Eduard Epshtein). The current directors were appointed at the request of certain shareholders' in June 2014, to facilitate the identification and evaluation of the new opportunities.

2 EXPLORATION AND PROJECT UPDATE

Table 1:Exploration Analysis ($)	Quarter								Annual	
	Q113	Q213	Q313	Q413	Q114	Q214	Q314	Q414	2013	2014
Camp & accommodation	6,492	7,936	365	-	-	-	-	-	14,793	-
Drilling	4,780	-	4,078	162,845	314	-	2,657	-	171,703	2,971
General & administration	112,174	82,895	59,431	1,297	4,025	3,303	682	6,570	255,797	14,580
Geology & geochemistry	59,404	57,792	33,213	510	-	-	-	-	150,919	-
Write-downs (recoveries)	-	(79,467)	148,121	(53,629)	-	-	-	-	15,025	-
Total exploration	**182,850**	**69,156**	**245,208**	**111,023**	**4,339**	**3,303**	**3,339**	**6,570**	**608,237**	**17,551**
Split Project / Region:										
Mexico	140,346	42,405	64,838	(41,136)	4,025	2,103	682	5,443	206,453	12,253
October Dome	5,770	5,907	5,092	169,159	314	1,200	2,657	1,127	185,928	5,298
Yukon	1,656	-	154,797	(17,000)	-	-	-	-	139,452	-
Other (incl. Zymo)	35,078	20,844	20,481	-	-	-	-	-	76,404	-
Total exploration & acquisition	**182,850**	**69,156**	**245,208**	**111,023**	**4,339**	**3,303**	**3,339**	**6,570**	**608,237**	**17,551**

Direct expenditures by the Company over the last four quarters remain limited as the Company has elected to reduce its exploration in an effort to preserve its treasury, part of this strategy included joint venturing the Pedro property in Mexico. Drilling costs in Q4 2013 relate to 1,086m drill program at October Dome.

Recoveries in Q4 2013 relate to the VF property ($17,000) and Pedro ($36,629). In Q3 2013, certain Yukon properties were written down by $149,111. KM66 acquisition costs of $166,527 were written off in Q2 2013, this was offset by $50,000 in cash and the deemed value of 1.2 million Patriot shares received ($195,993).

Pedro Property, Durango, Mexico

The wholly owned Pedro claims (25,000 hectares) are located approximately 100 kilometres from the city of Torreon, and are bisected by a paved highway and power lines. Pedro is comprised of a number of targets including the HP Breccia prospect, a gold soil anomaly extending over a 1,800 x 600m area that coincides with extensive silicified sedimentary breccias and conglomerate, and the Las Lajas gold prospect.

Newmont de Mexico, S.A de C.V ("Newmont"), under a September 2013 Venture Agreement, paid US$50,000 and drilled 1,744m (11 drill holes). Effective July 1, 2014, Newmont terminated the agreement after the results of the drill program did not meet their criteria. Newmont tested the HP breccia prospect and its northern extension. For full details of the drill program reference should be made to the Company's news release dated July 3, 2014.

October Dome Property, British Columbia, Canada

The 100% owned October Dome gold property, is located in the "Quesnel Trough" in central British Columbia, 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 Induced Polarization ("IP") surveys and soil geochemistry.

In Q4 2013, a 1,086 metre (6 hole) diamond drill program (refer news release dated Dec 2, 2013) targeted the northern end of the 4 km long gold and arsenic soil anomaly that is coincident with an IP chargeability anomaly. Holes OD-5 through OD- 7 encountered diorite and monzonite intrusions within hornfelsed sediments and propylitised basalts. 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.

Yukon Properties

Our Yukon properties include 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. In addition, the Company 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, after undertaking over $1.5 million in qualifying expenditures (including a nine diamond drill hole (2,307m) program in November 2012). 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.

3 OUTLOOK

The Company has pro-actively reduced its activities and human resources in an effort to conserve cash while it is identifying new opportunities. As of October 31, 2014 it had cash and cash equivalents of $0.73 million. At the start of 2014 the President and CEO dropped to a part-time basis to further conserve the Company's treasury. At the request of certain of its major shareholders, the Company appointed a new slate of Directors in June 2014 to facilitate the identification and evaluation of new opportunities. The Company continues to maintain its exploration properties in good standing while attempting to identify new opportunities both inside and outside the mining sector.

The Company is in the process of applying for a refund of its value-added taxes ("VAT") in Mexico which may also provide an additional source of funding although there is no certainty as to either the amount or collectability of the VAT.

4 FINANCIAL POSITION REVIEW

Table 2: Financial Position ($) **Assets**	**October 31, 2012**	**October 31, 2013**	**October 31, 2014**
Cash and cash equivalents	1,890,547	948,931	728,975
Accounts receivable and prepaid expenses	112,381	14,829	4,819
Investments	3,000	9,001	7,201
Reclamation bonds and deposits	21,660	21,750	21,867
Mineral property interests	884,888	593,386	593,386
October Dome	555,057	555,057	555,057
Mt. Polley	13,325	13,325	13,325
Mexico	167,390	-	-
Yukon	149,116	25,004	25,004
Property, plant and equipment	48,952	23,223	-
Total Assets	**2,961,428**	**1,611,120**	**1,356,248**
Liabilities			
Accounts payable and accrued liabilities	120,578	33,109	17,491
Shareholders' Equity			
Common shares	8,677,789	8,677,789	8,677,789
Contributed surplus	4,858,379	5,007,069	5,023,092
AOCI	(8,470)	4,511	5,286
Deficit	(10,686,848)	(12,111,358)	(12,367,410)
Total Shareholders' Equity	**2,840,850**	**1,578,011**	**1,338,757**
Total Liabilities and Shareholders' Equity	**2,961,428**	**1,611,120**	**1,356,248**

Cash outflow for the year from operating activities was $238,625 (2013: $929,897) were principally comprised of office costs and labour charges. Costs are significantly lower than the previous year as a result of the curtailment of exploration activities and other cost reduction initiatives. There was no cash flow from financing activities. Cash inflow from investing activities was $17,894 (2013: $nil) as a result of the disposal of certain Mexican assets. 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.

Investments are comprised of 180,000 Aben shares (after they completed a 10:1 share consolidation) recorded at fair value and 1.14 million shares in Patriot, which as of October 31, 2014 were recorded an estimated fair value of $1.

Bonds and reclamation deposits relate to the Mt Polley and October Dome properties. The decrease in property, plant and equipment is principally due to the disposition of certain Mexican assets.

The Mt. Polley properties are located adjacent to Imperial's Mt. Polley open-pit copper gold mine (whose operations are temporally suspended), 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 and over which the Company retains 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. Three royalty payments were received Q1 2012.

In Q4 2013, the Company received US$50,000 from Newmont which resulted in the acquisition costs being recovered on the Pedro property in Mexico and a $36,628 recovery in the income statement. Our Yukon mineral properties (JAY, HY, BIG/VBA and VM properties) have been written down to $1 each. The remaining balance of $25,000 relates to the Flume Property

The decrease in accounts payable is consistent with the reduction in the Company's activity levels. There were no changes in the number of common shares or options during the period.

Table 3: Shareholders' Equity ($)	October 31, 2013	October 31, 2014
Common shares	25,889,648	25,889,648
Options outstanding		
Number	1,690,000	1,300,000
Weighted average price	$0.15	$0.09
Market capitalization	$1.3 million	$0.8 million
Share price	$0.05	$0.03

Commitments

Subsequent to year end, Bearing exercised its option agreement to acquire the Flume property. The outstanding balance of $145,000 was waived in return for an additional 0.5% NSR. Bearing now owns the Flume property subject to a 2.5% NSR. The NSR can be reduced at any time to 1% NSR by paying to $1,500,000.

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.

Financings -Use of Proceeds

Table 4: - Use of Proceeds Table Description	Shares (000's)	Price $	Gross Proceeds ($000's)	Intended Use	Actual Use
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

5 EXPENDITURE REVIEW

	Quarterly								Annual	
Table 5: Expenditures ($000's)	**Q113**	**Q213**	**Q313**	**Q413**	**Q114**	**Q214**	**Q314**	**Q414**	**2013**	**2014**
Revenues	-	-	-	-	-	-	-	-	-	-
Exploration expenditures (Table 1)	183	69	245	110	4	3	4	7	608	18
Other expenses										
Audit, filing and legal fees	37	10	18	(9)	12	18	20	7	56	57
Consulting and labour	72	78	55	39	43	32	30	32	244	137
Depreciation and amortization	6	6	6	9	5	1	(1)	-	28	5
Finance income	(2)	(1)	(16)	(3)	(3)	(3)	(2)	(3)	(22)	(11)
Other costs	4	6	3	2	(5)	3	(3)	(1)	16	(6)
Rent and office costs	20	20	22	20	18	6	7	7	82	38
Share-based payment expense	42	38	66	2	(32)	-	-	48	149	16
Unrealized loss on investment	1	88	(135)	243	-	(5)	6	1	197	2
Travel and promotion	27	24	17	-	-	-	-	-	67	-
Total other expenses	**207**	**269**	**37**	**303**	**37**	**52**	**58**	**91**	817	**238**
Net loss	**390**	**338**	**282**	**412**	**41**	**55**	**62**	**98**	**1,425**	**256**
Other comprehensive income	(4)	(14)	3	2	-	-	-	(1)	(13)	(1)
Comprehensive loss	**386**	**324**	**285**	**410**	**41**	**55**	**62**	**97**	**1,412**	**255**
Basic loss per share	**$0.02**	**$0.01**	**$0.01**	**$0.01**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.05**	**$0.01**

As the Company is in the exploration stage it has no revenues. Audit, filing and legal fees in Q4 2013 were associated with a reduction in the cost of the Company's audit. Costs in Q2 and Q3 2014 are up slightly due to the costs associated with the Company's annual and special annual general meeting.

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. Q2 2014 costs decreased as the President and CEO started working part-time effective January 1, 2014.

Rent and office costs include insurance and communication costs and reduced significantly in Q2 2014 as a result of the termination of the office lease. Share-based payments decreased in Q4 2013 due to the majority of the stock options being fully vested. Adjustments to a true up for forfeitures occurred in Q1 and Q4 2014 and Q4 2014 relates included the stock base compensation expenses related to the stock option grant on August 1, 2014.

Unrealized losses in Q2 2013 principally relate to the mark to market losses on the 1.14 million Patriot shares and Q3 2013 gain represents the subsequent recovery of the Patriot shares. The Company wrote the investment down to $1 in Q4 2013.

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

6 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, 2014.

6.1 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, 2014. 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, 2014, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

6.2 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.

6.3 NI 43-101 Compliance Requirements

Under National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"), if an issuer discloses 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.

6.4 Other Risks

Reference should be made to the Company's risks and critical accounting policies and practices section of the October 31, 2014, Management Discussion and Analysis for a complete discussion on the risk factors associated with **Government Laws,**

Regulation & Permitting; Additional Financings; Key Management and Competition; Title to Properties; Commodity Prices and Conflicts of Interest amongst other things.

6.5 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.

6.6 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.

6.7 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.

6.8 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.

6.9 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.

7.0 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.

7.1 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 a project by project basis with each project representing a single cash generating unit. When impairment indicators are identified, an impairment loss is recognized for any amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Income taxes

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

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

Flow-through common shares

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

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

Loss per share

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

Valuation of equity units

The Company has adopted a pro-rata 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, 2014 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) The completed version of IFRS 9, *Financial Instruments,* was issued in July 2014. The completed standard provides revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. The new hedging guidance that was issued in November 2013 is incorporated into this new final standard. This final version of IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. We are currently assessing the effect of this standard on our financial statements.

(ii) IFRIC 21, Accounting for Levies imposed by Governments, clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. IFRIC 21 is effective for the Company beginning on January 1, 2014. The Company is currently assessing the impact of this guidance.

(iii) In May 2014, IFRS 15, Revenue from Contracts with Customers was issued which establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently assessing the effect of this standard on our financial statements.

www.bearingresources.ca

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