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.

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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 ($)	**October 31, 2012**	**October 31, 2013**	**October 31, 2014**
Assets			
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.



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