



The following information is prepared in accordance with International Financial Reporting Standards (“IFRS”) in Canadian dollars, unless otherwise noted. This Management Discussion & Analysis should be read in conjunction with the Bearing Resources Business’s audited carve-out financial statements for the years ended October 31, 2010, 2009 and 2008 and the Bearing Resources Ltd.’s audited financial statements for the period from incorporation to January 31, 2011.

The financial information in this MD&A is derived from the Company’s financial statements prepared in accordance with Canadian GAAP (which requires International Financial Reporting Standards (“IFRS”) for public companies) and is denominated in Canadian dollars, unless otherwise noted. This MD&A should be read in conjunction with the Company’s unaudited financial statements for the three and six months ended April 30, 2011.

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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**The results up to March 25, 2011 have been presented in this MD&A under the continuity of interest basis of accounting with balance sheet amounts based on the amounts recorded by Valley High Ventures Ltd. (“Valley High”). In addition, the information contained in the statement of income and deficit has been derived from certain allocations from Valley High’s financial statements. Management cautions readers of this MD&A, that the allocation of expenses does not necessarily reflect the future financial performance of the Company.**

## **1 STRATEGY AND PROFILE**

### **1.1 Strategy**

Bearing Resources Ltd. (“Bearing” or the “Company”) is a Canadian based company focused on exploration for precious and base metals in North America. The Company’s strategy is to identify, explore and develop mineral deposits with a magnitude of size and grade to be of interest to mid-sized and larger mining companies. The Company will carry out all aspects of exploration and development from grass roots to feasibility stage. Projects will be acquired through both staking and acquisition. From time to time, the Company may option a project to an external exploration company in an effort to focus both financial and human capital on higher priority projects.

### **1.2 Profile**

Bearing was incorporated on January 13, 2011 as 0900353 B.C.LTD (subsequently renamed on January 31, 2011 to Bearing). On March 25, 2011, Levon Resources Ltd. (“Levon”) acquired Valley High Ventures Ltd. (“Valley High”), the predecessor corporation to the Company (refer to section 7), by way of a court-approved plan of arrangement (the “Arrangement”). On June 10, 2011, Bearing began trading on the TSX Venture Exchange.

#### **October Dome Gold Property**

The 100% owned October Dome gold property, is located in the Quesnel Trough in central British Columbia, Canada near the town of Likely. The October Dome property is contiguous with both Imperial Metals Corporation’s (“Imperial”) Mount Polley porphyry copper gold mine 10km to the south and Barkerville Gold Mines Ltd.’s QR skarn gold mine property 7km to the northwest.

The Company has initiated a 1,000 sample soil program in order to expand the existing soil grid to the southeast. This initial work commenced in June 2011 with the objective of expanding the 2.5km coincident IP geophysical and gold and arsenic soil anomalies highlighted by work completed in 2009-10. Permitting is also underway for a larger program to commence in the fall of 2011 that will include an induced polarization (“IP”) geophysical survey of the new south grid area currently being soil sampled, trenching of anomaly areas and an initial core drilling program.

#### **Zymo Copper-Gold Project**

The Company has the option to earn up to a 65% interest in the 12,113 hectare Zymo copper-gold project (“Zymo”), located 50 kilometres west of the town of Smithers, British Columbia, Canada. Exploration work carried out to date at Zymo, including surface sampling, geophysical testing and core drilling has identified a copper-gold porphyry system extending over a nine kilometre long by three kilometre wide area.

The Zymo property has been explored by a number of companies since its discovery in 1997. Work to date has outlined a nine kilometre by three kilometre open ended target defined by a combined copper in soil and induced polarization (“IP”) chargeability anomaly, within which four distinct porphyry targets have been identified.

The Hobbes Zone is the most advanced target identified to date and has been tested with nine drill holes over a distance of 600 metres; all intersecting copper/gold mineralization. The best hole drilled to date was ZY-08-9 that returned 72.0 metres (core length) of 0.72% copper and 0.54 g/t gold within a longer interval that returned 159 metres grading 0.44% Cu and 0.54 g/t gold.

Under the terms of the Zymo option agreement, Bearing may earn an initial 51% interest by making cash payments of \$500,000 and issuing 500,000 shares and completing exploration expenditures totaling \$8,000,000 over a five year period. Bearing may earn an additional 9% interest by completing a feasibility study and maintaining minimum annual expenditures of \$500,000. Should Bearing make the decision to put the property into production, Bearing will have an option to earn an additional 5% interest by paying \$10,000,000, issuing to 2,000,000 shares and arranging project financing for the mine development. The option agreement remains subject to the approval of the TSX Venture Exchange.

#### **Mount Polley**

The Mount Polley properties comprise approximately 7,458 hectares located adjacent to Imperial producing Mount Polley open-pit copper gold mine, which is 100 kilometres northeast of Williams Lake, British Columbia, Canada.

Imperial acquired a 100% interest in one complete mineral cell and four partial cells that are adjacent to Imperial's Boundary Zone. The claims are subject to a royalty for material that is milled. 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 \$1,000,000. The Company is entitled to 90% of the royalty payments. Imperial has begun underground development to access the Boundary Zone and the Company expects that a production royalty will eventually be realized from this claim block

### **Flume Gold Property, Yukon**

The Flume property is located 60 kilometres southwest of Dawson City, Yukon and 30 kilometres northwest of Kinross Gold Corporation's White Gold discovery and comprises 191 mineral claims totalling approximately 3,900 hectares.

In June 2009, Valley High entered into an option agreement with Phelps Dodge Corporation of Canada, Limited ("PDC"), to acquire a 100% interest in the Flume property. In January 2010, the Flume property was optioned to Ryan Gold (formerly Valdez Gold Inc.), whereby Ryan Gold has been granted the right to earn up to a 75% interest in the property. Under the terms of the agreement, Ryan Gold the right to earn a 51% interest in the Flume property by incurring \$1.5 million in qualified expenditures over a four year period and making cash payments of \$500,000 (\$150,000 paid). If the earn-in is achieved, Ryan Gold would further have the option to increase its share to 65% by spending an additional \$5 million and making further staged cash payments totalling \$500,000 by the end of year seven. Ryan Gold would then have the option of increasing its share to 75% by the end of year nine by completing a feasibility study and making a cash payment of \$1 million.

Ryan Gold is currently undertaking geochemistry work and soil sampling and soil geochemistry on the property.

### **Yukon Properties**

In the Yukon, the Company owns the VF, JAY and VM properties located in the Upper Hyland River Gold Belt where Northern Tiger Resources Inc. has its 3Ace gold project in the Watson Lake Mining District. It also holds the 100% owned BIG gold property located in the Clear Creek gold placer area in the Dawson Mining District, Yukon.

### **Mexico**

Our Mexican properties include the Carreton and Panderra properties. The Carreton property is located in central Durango State of Mexico in the municipality of San Pedro El Gallo and comprises roughly 8,500 hectares.

In June 2011, the Company acquired two significant land holdings in the Mapimi region of eastern Durango, Mexico. The recently acquired Parrandera gold-copper/gold-silver-lead project was acquired through options from local Mexican vendors and by staking. The Parrandera options include approximately 299 hectares of claims. The Company has also made application and surveyed two additional claims in its own name that are also contiguous with the Parrandera properties. The Pedro and Pedro 1 claims are roughly 14,800 hectares and 11,750 hectares, respectively.

Bearing has the right to acquire 100% interests in both Parrandera properties, subject to a 1.5% Net Smelter Royalty ("NSR").

## **2 MILESTONES & PROJECTS UPDATE**

### **2.1 Milestones / Highlights**

- On June 24, 2011, the Company announced a \$5 million non-brokered private placement.
- On June 22, 2011, the Company announced the acquisition of the Parrandera claims in Mexico.
- On June 21, 2011, the Company announced acquisition of the Zymo copper-gold project.
- On June 10, 2011 the Company commenced trading of the TSX Venture Exchange.
- On March 25, 2011, Levon's acquisition of Valley High closed and Bearing became a stand-alone Company.
- On January 13, 2011, the Company was incorporated.
- In November 2010, an extended soil sampling program at October / Dome was undertaken.

## 2.2 October Dome Property British Columbia, Canada

The October Dome claims are subject to NSRs of between 1.5% and 2%. The October Dome target is defined by a grid area of some 3.2 km by 1.1 km that has been surveyed by magnetic and induced polarization (“IP”) surveys and soil geochemistry. Work to date has identified a continuous and open ended gold and in part arsenic and copper in soil anomaly that extends for the full 3 km length of the grid.

The following table summarizes the quarterly and year to date (“YTD”) spend on the October Dome property. Exploration and evaluation costs are expensed while the acquisition costs are capitalized.

<b>Table 1: October Dome Properties</b> <b>(\$000’s)</b>	<b>Quarterly</b>								<b>YTD</b>		<b>LTD</b>
	<b>Q309</b>	<b>Q409</b>	<b>Q110</b>	<b>Q210</b>	<b>Q310</b>	<b>Q410</b>	<b>Q111</b>	<b>Q211</b>	<b>2010</b>	<b>2011</b>	
Administration	-	-	-	-	-	-	-	2	-	2	2
Consulting and prof. fees	16	34	30	-	-	-	17	15	30	32	122
Drilling and trenching	-	-	-	-	-	-	-	-	-	-	-
Exploration tax credit	-	(10)	-	-	-	-	-	-	-	-	(10)
Property investigations	-	6	42	-	-	-	11	-	42	11	110
Travel and accommodation	2	-	-	-	-	-	-	-	-	-	4
<b>Total exploration and evaluation</b>	<b>18</b>	<b>30</b>	<b>72</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>17</b>	<b>72</b>	<b>45</b>	<b>228</b>
Property acquisition costs	-	-	-	53	-	-	-	-	53	-	555
<b>Total acquisition and evaluation</b>	<b>18</b>	<b>30</b>	<b>72</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>17</b>	<b>125</b>	<b>45</b>	<b>783</b>

Consulting and professional fees increased in 2009 and 2010 as a result of a soil sampling program that was initiated in the fall of 2009. This 2009 soil and geophysical program (12.5 kilometres of IP, 502 soil samples), a prominent chargeability high anomaly was outlined that added an additional 850 metres of strike length. The costs in 2011 were principally associated with preparation of the NI 43-101 report on the property.

Exploration tax credit amounts relate to the British Columbia Mining Exploration Tax Credit (“BCMETS”) that was recognized against expenditures that occurred on the October Dome property.

Property investigation costs in 2010 include assays costs associated with the soil sampling program undertaken in the fall of 2009 and costs associated with a geophysical survey. Q111 costs include assay costs associated with soil sampling.

Property acquisition costs in 2010 include the fair value of the final 80,000 Valley High shares that were issued under option agreements to acquire one of the associated claims.

## 2.3 Mount Polley Properties, British Columbia, Canada

The Mount Polley properties comprise approximately 7,458 hectares located adjacent to Imperial producing Mount Polley open-pit copper gold mine, which is 100 kilometres northeast of Williams Lake, British Columbia. The claims are subject to a NSR of up to 2%.

The following table summarizes the quarterly and year to date spend on the Mount Polley property. Exploration and evaluation costs are expensed while the acquisition costs are capitalized.

<b>Table 2: Mt Polley Property</b> <b>(\$000's)</b>	<b>Quarterly</b>								<b>YTD</b>		<b>LTD</b>
	<b>Q309</b>	<b>Q409</b>	<b>Q110</b>	<b>Q210</b>	<b>Q310</b>	<b>Q410</b>	<b>Q111</b>	<b>Q211</b>	<b>2010</b>	<b>2011</b>	
Administration	-	9	-	1	-	-	-	-	1	-	31
Consulting and prof. fees	(16)	91	4	13	-	(25)	-	-	17	-	369
Drilling and trenching	-	187	-	-	-	-	-	-	-	-	868
Exploration tax credit	-	(263)	-	-	-	-	-	-	-	-	(263)
Property investigations	16	28	44	-	-	1	-	-	44	-	523
Travel and accommodation	-	11	-	-	1	-	-	-	-	-	60
<b>Total exploration &amp; evaluation costs</b>	<b>-</b>	<b>63</b>	<b>48</b>	<b>14</b>	<b>1</b>	<b>(24)</b>	<b>-</b>	<b>-</b>	<b>62</b>	<b>-</b>	<b>1,588</b>
Property acquisition costs	-	-	-	-	-	-	-	-	-	-	311
Property payments received	(90)	-	(90)	-	-	-	-	-	(90)	-	(270)
<b>Total acquisition and exploration costs</b>	<b>(90)</b>	<b>63</b>	<b>(42)</b>	<b>14</b>	<b>1</b>	<b>(24)</b>	<b>-</b>	<b>-</b>	<b>(29)</b>	<b>-</b>	<b>1,628</b>

Consulting and professional fees comprise payments to consultants for geological services. The increase in fees in 2009 is consistent with the drill campaign that was undertaken in 2009. Drilling and trenching costs in 2009 were associated with a 2,715 meter drill program. No significant copper or gold was intercepted except for drill hole VH09-34 which intercepted 58 metres grading 0.33% Cu and 0.24 g/T Au starting at a down hole depth of 134 metres.

During 2009, BCMETC refunds for 2005, 2006, 2007 and 2008 were recognized. As the original expenditures were deferred the refunds were applied against mineral property interests.

Property investigation costs rose in 2009, due to the assay costs associated with the 2,715 meter drill program. Property payments received were from Imperial as they completed their option payments to own the Boundary Zone.

## 2.4 Other Exploration Costs

The following table summarizes the quarterly and year to date expensed exploration costs. Exploration and evaluation costs are expensed while the acquisition costs are capitalized:

<b>Table 3: Other Exploration</b> <b>(\$000's)</b>	<b>Quarterly</b>								<b>YTD</b>	
	<b>Q309</b>	<b>Q409</b>	<b>Q110</b>	<b>Q210</b>	<b>Q310</b>	<b>Q410</b>	<b>Q111</b>	<b>Q211</b>	<b>2010</b>	<b>2011</b>
Administration	-	-	20	(8)	40	29	1	21	12	22
Consulting and prof. fees	-	-	24	72	43	75	30	79	96	108
Drilling and trenching	-	-	-	-	-	-	-	-	-	-
Property investigations	-	-	-	-	24	45	1	4	-	5
Travel and accommodation	-	-	-	-	11	8	11	5	-	16
<b>Total exploration and evaluation costs</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>64</b>	<b>118</b>	<b>157</b>	<b>43</b>	<b>109</b>	<b>108</b>	<b>151</b>
Property acquisition costs	-	-	10	-	15	115	44	3	10	47
Property payments received	-	-	(25)	-	(25)	-	-	-	(25)	-
<b>Total acquisition and evaluation costs</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>64</b>	<b>108</b>	<b>272</b>	<b>87</b>	<b>111</b>	<b>93</b>	<b>198</b>

Expensed exploration costs up to March 25, 2011 include those exploration costs from Valley High that related to either exploration activities in Mexico (other than exploration on the Cordero property) and Yukon exploration costs.

In Q110, Valley High expanded its exploration program and started investigating opportunities in Mexico and the Yukon, which increased the consulting and professional fees. The increase in property acquisition costs in Q410 and Q111 was due to the staking costs associated with the Company's Yukon properties.

The \$25,000 payments received in Q110 and Q310 from the Flume property that is optioned to Ryan Gold.

### **3 OUTLOOK**

#### **British Columbia:**

In the coming months, at the newly acquired Zymo property, subject to financing and weather conditions, Bearing plans to execute an extensive exploration program in 2011 that includes expanded geochemical and IP surveys, in particular over the new discovery from 2010 as well as delineation drilling of the Hobbes Zone, first drill testing of the URC Zone and targets within the FM Zone.

On the 100% owned October Dome gold property, located in the Quesnel Trough, the Company has initiated a sample soil program in order to expand the existing soil grid to the southeast. This initial work commenced mid-June with the objective of expanding the 2.5km coincident IP geophysical and gold and arsenic soil anomalies highlighted by work completed in 2009-10. Permitting is also underway for a larger program to commence in the fall of 2011, that will include an IP geophysical survey of the new south grid area currently being soil sampled, trenching of anomaly areas and potentially a small core drilling program.

At Mount Polley, no specific work program is currently contemplated and the Company continues to follow with interest Imperial's activity in and around the Mount Polley area especially the Boundary Zone which could yield a near term royalty for the Company.

#### **Yukon**

In the Yukon, the Company completed a 1,100km airborne magnetic geophysical survey in May, over its 100% owned VF and JAY properties located in the Upper Hyland River Gold Belt. The results of this survey are expected in early July. This work should provide key structural information that will aid the Company in its summer work program. The summer work program will include soil, silt and rock sampling on the JAY, VF and VM properties.

At the 100% owned BIG gold property located in the Clear Creek gold placer area in the Dawson Mining District, Yukon. Grid and reconnaissance soil sampling and geological mapping are underway. The objective is to identify geochemical anomalies and zones of mineralization to the east and southeast of the BIG property from known gold prospect areas on Golden Predator Corp.'s Clear Creek property.

#### **Mexico**

In Mexico, the Company acquired the Parrandera gold-copper-zinc project through option agreements and staking in June 2011. The Parrandera project is located in the Mapimi region of eastern Durango, Mexico and totals approximately 26,849 hectares. Initial rock sampling returned values of up to 0.603 g/t gold, 14.8 g/t silver, 1.95% copper, 0.95% zinc. Mineralization has also been demonstrated to extend more than 1.3 kilometres to the east with values of up to 0.601 g/t gold, 67.3 g/t silver & 0.89% lead (sample 105259). Of 18 rock grab samples collected in the area, 10 assayed above 100 parts per billion gold. A program of detailed mapping, prospecting, expanded soil sampling, and geophysics is currently planned and maybe followed up by core drilling later in the year.

#### **Corporate**

With the success of the initial acquisitions, the Company announced a non-brokered private placement of up to 5,952,381 units and up to 5,952,381 flow-through shares at \$0.42 per unit and \$0.42 per share. Each unit will consist of one common share and one-half of one share purchase warrant. Each whole Warrant will be exercisable for one common share of the Company for a period of 12 months from the closing date of the Offering at an exercise price of \$0.60.

The financing will be used for exploration on existing properties (including Parrandera and Zymo) as well providing additional working capital.

## 4 FINANCIAL POSITION REVIEW

### 4.1 Assets

<b>Table 4: Assets (\$)</b>	<b>2009 (restated)</b>	<b>2010 (restated)</b>	<b>April 30, 2011</b>
Cash and cash equivalents	-	-	1,763,010
Accounts receivable and prepaid expenses	-	-	52,990
Bond and reclamation deposits	11,500	11,500	11,500
Property, plant and equipment	2,778	16,392	12,328
Mineral property interests	632,887	981,012	758,237
<b>Total Assets</b>	<b>647,165</b>	<b>2,394,004</b>	<b>2,598,065</b>

Cash and cash equivalents increased during the period as a result of the completion of the Valley High transaction and the funding of \$1.8 million. Accounts receivable are principally comprised of prepaid rent and insurance that was transferred into Bearing.

<b>Table 5: Mineral property interests (\$)</b>	<b>2009 (restated)</b>	<b>2010 (restated)</b>	<b>April 30, 2011</b>
October Dome	502,117	555,057	555,057
Mt. Polley	130,770	40,836	40,836
Yukon and Mexican properties	-	115,119	162,344
<b>Total Mineral property interest</b>	<b>632,887</b>	<b>711,012</b>	<b>758,237</b>

Under the Company's accounting policy only acquisition costs are deferred. No acquisition costs were incurred on either of the October Dome or Mt. Polley properties as no further payments are due on these properties, except for the respective NSRs. The opportunity for a near term royalty from the Boundary zone option agreement signed with Imperial Metals in 2009 (refer to section 2.2) and the positive results from the recent sampling undertaken at the October Dome property supports the continuing capitalization of the acquisition costs associated with these properties.

The acquisition costs in the Yukon and Mexico represent staking costs associated with the Company's earlier stage explorations portfolio.

### 4.3 Liabilities and Commitments

<b>Table 6: Liabilities (\$)</b>	<b>2009</b>	<b>2010</b>	<b>April 30, 2011</b>
Accounts payable and accrued liabilities	-	-	34,557
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>34,557</b>

No liabilities had been assigned to the Bearing Business in the preparation of the financial position prior to March 25, 2011. As a result of the completion of the Valley High transaction, Bearing is now a stand-alone Company and incurs its own liabilities.

#### Commitments

##### Parrandera:

The 49 hectare claim can be purchased for a total of US\$250,000 over two years, subject to a 1.5% NSR (0.5% purchasable for US\$100,000). The 250 hectare claim can be purchased for a total of US\$560,000 over three years subject to a 1.5% NSR (0.5% purchasable for US\$500,000).

##### Zymo:

To earn an initial 51% interest, Bearing will make cash payments totaling \$500,000 and issue 500,000 Bearing shares and completing exploration expenditures totalling \$8,000,000 over a five year period. Bearing may earn an additional 9% interest by completing a feasibility study and maintaining minimum annual expenditures of \$500,000. Should Bearing make the

decision to put the property into production, Bearing will have an option to earn an additional 5% interest by paying \$10,000,000, issuing to 2,000,000 Bearing shares and arranging project financing for the mine development.

**Flume:**

Bearing may earn a 100% interest in the Flume property from PDC by making cash payments totalling \$225,000 (\$75,000 paid) and by spending \$500,000 on exploration work within 4 years. The initial payment of \$10,000 (paid) was due on the six month anniversary of the signing of the option agreement. A required \$200,000 work program was completed by June 24, 2011. PDC retains a 2% NSR royalty of which one half can be purchased for a sum of \$1,000,000. PDC also retains the right to share in the proceeds derived from the sale or option of the property to a third party in the amount of 50% of proceeds received during the first year and 25% of the proceeds in any subsequent year. This commitment has been offset by payments received from Ryan Gold (refer to section 1.2).

#### 4.4 Equity and Financing

<b>Table 7: Shareholders' Equity (\$)</b>	<b>2009 (restated)</b>	<b>2010 (restated)</b>	<b>April 30, 2011</b>
Common shares	-	-	2,640,475
Contributed surplus	3,359,060	4,169,805	3,673,967
Deficit	(2,711,895)	(3,430,900)	(3,750,934)
Total shareholders' equity	647,165	738,905	2,563,508

Contributed surplus represents the funding of the Company from Valley High prior to March 25, 2011. Common shares represent the value of the assets transferred from Valley High.

On June 24, 2011, the Company announced a non-brokered private placement of up to 5,952,381 units ("Units") and up to 5,952,381 common shares to be issued on a "flow-through" basis ("Flow-Through Shares") (the "Offering"). Each Unit will be comprised of one common share of the Company ("Common Share") and one half of a common share purchase warrant (a "Warrant"). The Units will be offered at a price of \$0.42 per Unit and the Flow-Through Shares will be offered at a price of \$0.42 per Flow-Through Share for aggregate gross proceeds of up to \$5 million. Each whole Warrant will be exercisable for one common share of the Company for a period of 12 months from the closing date of the Offering at an exercise price of \$0.60.

The Offering is subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the TSX Venture Exchange and the securities regulatory authorities. All securities issued pursuant to the private placements will be subject to a four month hold period.

The proceeds from the financing will be used to fund the Company's planned exploration programs in the Yukon, British Columbia, Mexico and for general working capital.



## 5 EXPENDITURE REVIEW

Table 8: Expenditures (\$000's)	Quarterly								YTD	
	Q309	Q409	Q110	Q210	Q310	Q410	Q111	Q211	2010	2011
<b>Revenues</b>	-	-	-	-	-	-	-	-	-	-
Exploration expenditures	-	-	155	77	109	132	71	125	232	196
<b>Other expenses</b>										
Consulting/labour/prof. fees	14	12	33	19	47	46	19	34	52	53
Depreciation	-	1	-	-	2	4	-	1	-	1
Interest expense (income)	-	-	-	-	-	-	-	-	-	-
Other costs	(4)	15	6	11	(6)	10	7	19	17	26
Rent and office costs	6	3	4	9	7	5	5	7	13	12
Stock-based comp.	-	-	-	-	-	-	-	-	-	-
Travel and promotion	2	3	-	2	13	34	25	5	2	30
Total other expenses	17	33	44	42	63	99	56	66	86	122
Net Loss	17	33	199	119	172	231	127	191	313	318

Exploration expenditures are discussed in section 2.4

Table 9: Expensed Exploration (\$000's)	Quarterly								YTD	
	Q309	Q409	Q110	Q210	Q310	Q410	Q111	Q211	2010	2011
Administration	-	-	20	(8)	40	29	1	24	12	25
Consulting and prof. fees	-	-	59	85	43	50	48	92	144	140
Drilling and trenching	-	-	-	-	-	-	-	-	-	-
Property investigations	-	-	86	-	24	45	11	4	86	15
Property payments received	-	-	(10)	-	(10)	-	-	-	(10)	-
Travel and accommodation	-	-	-	-	12	8	11	5	-	16
	-	-	155	77	109	132	71	125	232	196

Bearing Resources Ltd. is an exploration stage company and its results will vary depending on its treasury and its exploration properties. It currently has no revenues and does not anticipate paying any dividends in the near future.

Expenditures prior to March 25, 2011 are based on expenses allocated from the financial performance of Valley High and are not necessary indicative of future costs. The amount allocated to the Bearing Business prior to March 25, is also tied to the exploration spend at Cordero vs. the Bearing Business and therefore the allocations to the Bearing Business has varied based on the relative exploration spends. Consulting fees for Q211 include an allocation up to March 25, 2011 and actual costs thereafter.

## 6. CASH FLOW REVIEW

### Quarterly Discussion:

Cash outflow from operating activities was \$212,540 (Q210: \$118,606) due to the expanded exploration programs in Mexico and the Yukon. Cash inflow from financing activities was \$1,975,550 (Q210: \$186,541) with the major item being \$1.8 million received from the Valley High transaction. Cash outflow from investing activities was limited to work on the October Dome property and was \$nil (Q2: \$67,935).

### Year to Date:

Cash outflow from operating activities was \$334,402 (Q210: \$316,417) due to the expanded exploration programs in Mexico and the Yukon. Cash inflow from financing activities was \$2,097,412 (Q210: \$294,040) was the major item being \$1.8 million received from the Valley High transaction. Cash outflow from investing activities was \$nil (Q2: inflow \$22,377).

As of June 1, 2011, the Company had cash and cash equivalents of approximately \$1.6 million.

### BRZ MD&A Q2 2011

## **7. PLAN OF ARRANGEMENT**

On March 25, 2011, Valley High was acquired by Levon Resources Ltd (“Levon”) by way of a court-approved plan of arrangement (the “Arrangement”).

Under the Arrangement, the authorized share capital of Valley High was amended by the creation of two new classes of shares consisting of an unlimited number of Valley High Class A Shares and an unlimited number of Valley High Preferred Shares. In the course of the capital reorganization each Valley High Share was exchanged for one Valley High Class A Share and 0.125 of a Bearing Resources Ltd. Share (the “Company” or “Bearing”), and such Valley High Shares were there cancelled.

Valley High’s interest in the Mount Polley Properties, Flume property, other staked Yukon properties and its early exploration prospect, Carreton, in Mexico (collectively, “the Projects”) were transferred to Bearing, together with \$1.8 million in cash.

Bearing provided Levon with an indemnification in respect of the tax payable on disposition of Bearing Resources Ltd., in the event that the fair market value of the assets transferred exceeds the tax pools available to Valley High upon acquisition.

For a full understanding of the Arrangement reference should be made to the Valley High’s Information Circular, dated February 18, 2011.

The formation of Bearing was the result of the transfer of assets between entities under common control: accordingly, the transaction is excluded from the scope of IFRS 3 (R), Business Combinations. These financial statements have been presented using predecessor accounting with balance sheet amounts based on the amounts recorded by Valley High up to March 25, 2011.

Bearing began operations on March 26, 2011. Financial statement information prior to this date reflects the financial position, statements of loss, comprehensive loss and deficit and cash flows of the related Bearing Business of Valley High. The statements of loss, comprehensive loss and deficit for the three and six months ended April 30, 2011 include an allocation of Valley Highs’ general and administrative expenses incurred in each of those periods up to March 25, 2011 and expenses incurred directly by Bearing for the periods then ended. The consolidated schedule of mineral property costs for the six months ended April 30, 2011 include the direct exploration expenses deferred to the Bearing properties.

The allocation of general and administrative expense was calculated on the basis of the ratio of costs deferred on projects in each year presented as compared to the costs incurred on all mineral properties in each of these years. The consolidated financial statements have been presented under the continuity of interests basis of accounting with balance sheet amounts based on the amounts recorded by Valley High. Management cautions readers of these financial statements, that the allocation of expenses does not necessarily reflect future general and administrative expenses.

## **8. RISKS, CRITICAL ACCOUNTING ESTIMATES & POLICIES**

For a full version of the critical accounting estimates and policies, reference should be made to the Company’s audited financial statements for the year ended October 31, 2010

### **8.1 Change of Accounting Policy**

#### **Exploration and Evaluation Expenditures:**

During the period ended April 30, 2011, the Company retrospectively changed its accounting policy for exploration and evaluation expenditures to align itself with policies applied by other companies in the mining and exploration industry. The Company now capitalizes exploration expenditures when a known resource exists and management believes that the costs are economically recoverable.

Exploration and evaluation expenditures are now charged to net loss as they are incurred until the mineral property reaches the development stage. Significant costs related to property acquisition are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized.

Reference should be made to note 4 of the unaudited financial statements for the period ended April 30, 2011.

## **8.2 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 April 30, 2011. 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. 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 April 30, 2011, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

## **8.3 Forward Looking Statements**

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

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

## **8.4 Government Laws, Regulation & Permitting**

Mining and exploration activities of the Business are subject to both domestic and foreign laws and regulations governing prospecting, development, production, taxes, labour standards, occupational health, mine safety, waste disposal, toxic substances, the environment and other matters. Although the Company believes that all exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a substantial adverse impact on the Company.

The operations of the Company will require licenses and permits from various governmental authorities to carry out exploration and development at its projects. There can be no assurance that the Company will be able to obtain the necessary licences and permits on acceptable terms, in a timely manner or at all. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

### **8.5 Additional Financings**

If the Business's exploration programs are successful, additional funds will be required in order to complete the development of its properties. There is no assurance that the Company will be successful in raising sufficient funds to meet its obligations or to complete all of the currently proposed exploration programs. If the Company does not raise the necessary capital to meet its obligations under current contractual obligations, the Company may have to forfeit its interest in properties or prospects earned or assumed under such contracts.

### **8.6 Key Management and Competition**

The success of the Business will be largely dependent upon the performance of its key officers, consultants and employees. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. The success of the Company is largely dependent on the performance of its key individuals. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success.

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself with respect to the discovery and acquisition of interests in mineral properties, the recruitment and retention of qualified employees and other persons to carry out its mineral exploration activities. Competition in the mining industry could adversely affect the Company's prospects for mineral exploration in the future.

### **8.7 Title to Properties**

Acquisition of rights to the mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Business has investigated the title to all of the properties for which it holds concessions or other mineral leases or licenses or in respect of which it has a right to earn an interest, the Company cannot give any assurance that title to such properties will not be challenged or impugned.

### **8.8 Commodity Prices**

The profitability of the Business's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production to be impracticable. The Business's revenues and earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of copper or gold.

### **8.9 Critical Accounting Policies**

#### **Foreign currency translation**

The functional currency of the Bearing is the Canadian dollar.

Foreign currency transactions are translated in the functional currency using the exchanges rates prevailing at the dates of the transactions. Foreign exchange gains and losses on the settlement of such transactions and on re-measurement of monetary assets and liabilities at the year-end date are included in net income for the period.

#### **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 Bearing has obtained legal rights to explore an area are expensed in the period incurred.

Exploration and evaluation 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

**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, and 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.



(A Development Stage Company)  
**Condensed Consolidated Financial Statements**  
Second Quarter – April 30, 2011  
(Unaudited)  
(Expressed in Canadian dollars, except where indicated)

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

# Bearing Resources Ltd.

## Condensed Consolidated Statement of Financial Position

As at April 30, 2011, October 31, 2010 and November 1, 2009

(Unaudited)

(Expressed in Canadian dollars, except where indicated)

	April 30, 2011 \$	October 31, 2010 \$ (restated)	November 1, 2009 \$ (restated)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	1,763,010	-	-
Accounts receivable and prepaid expenses	52,990	-	-
	<u>1,816,000</u>	<u>-</u>	<u>-</u>
<b>Non-current assets</b>			
<b>Bonds and reclamation deposits</b>	11,500	11,500	11,500
<b>Mineral property interests (note 7)</b>	758,237	711,012	632,887
<b>Property, plant and equipment</b>	12,328	16,393	2,778
	<u>2,598,065</u>	<u>738,905</u>	<u>647,165</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	34,557	-	-
	<u>34,557</u>	<u>-</u>	<u>-</u>
<b>Shareholders' Equity (note 8)</b>			
Share capital	2,640,475	-	-
Contributed surplus	3,673,967	4,169,805	3,359,060
Deficit	(3,750,934)	(3,430,900)	(2,711,895)
	<u>2,563,508</u>	<u>738,905</u>	<u>647,165</u>
	<u>2,598,065</u>	<u>738,905</u>	<u>647,165</u>
<b>Nature of operations (note 1)</b>			
<b>Plan of arrangement (note 2)</b>			
<b>Change in accounting policies (note 4)</b>			
<b>Contingencies (note 12)</b>			
<b>Subsequent events (note 13)</b>			

Approved by the Board of Directors

“Alan Stephens”

Director

“Damian Towns”

Director

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



# Bearing Resources Ltd.

## Condensed Consolidated Statement of Loss and Comprehensive Loss

For the three and six months ended April 30, 2011 and 2010

(Unaudited)

(Expressed in Canadian dollars, except where indicated)

	Three Months Ended April 30, 2011 \$	Three Months Ended April 30, 2010 \$	Six Months Ended April 30 2011 \$	Six Months Ended April 30, 2010 \$
<b>Expenditures</b>				
<b>Exploration expenditures</b>				
Administration	23,603	(7,639)	24,644	12,814
Consulting, labour and professional fees	93,273	84,846	139,938	143,155
Property investigations	3,596	358	15,422	86,299
Property payments received (note 5)	-	-	-	(10,000)
Travel and accommodation	5,013	-	15,804	-
Expensed exploration costs	125,485	77,565	195,808	232,268
<b>Other expenses</b>				
Consulting, labour and professional fees	34,344	19,031	48,930	51,945
Depreciation and amortization	1,403	911	4,065	1,223
Other costs	18,490	11,392	25,696	17,712
Rent and office costs	10,866	8,607	16,101	12,301
Travel and promotion	4,922	2,011	29,434	2,191
	70,025	41,952	124,226	85,372
<b>Loss and comprehensive loss for the period</b>	195,510	119,517	320,034	317,640
<b>Basic and diluted loss per share (\$ per share)</b>	\$0.07	n/a	\$0.28	n/a
<b>Weighted average shares outstanding (000's)</b>	3,804,887	n/a	1,923,350	n/a

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

# Bearing Resources Ltd.

## Condensed Consolidated Statements of Shareholders' Equity

For the three and six months ended April 30, 2011 and 2010

(Unaudited)

(Expressed in Canadian dollars, except where indicated)

	Common shares		Deficit	Contributed Surplus	Shareholders' equity
	No. of shares	Amount			
	#	\$	\$	\$	\$
<b>Balance – November 1, 2009</b>	-	-	(2,711,895)	3,359,060	647,165
Funding by Valley High	-	-	-	290,262	290,262
Comprehensive income (loss)	-	-	(317,640)	-	(317,640)
<b>Balance – April 30, 2010</b>	-	-	(3,029,535)	3,649,322	619,787
<b>Balance – November 1, 2010</b>	-	-	(3,430,900)	4,169,805	738,905
Issuance of seed shares	1	1	-	-	1
Funding by Valley High	-	-	-	344,637	344,637
Pursuant to Plan of Arrangement (note 2)					
Cancellation of seed shares	(1)	(1)	-	-	(1)
Issuance of common shares	8,975,632	2,640,475	-	(840,475)	1,800,000
Comprehensive income (loss)	-	-	(320,034)	-	(320,034)
<b>Balance – April 30, 2011</b>	8,975,632	2,640,475	(3,750,934)	3,673,967	2,563,508

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

# Bearing Resources Ltd.

## Condensed Consolidated Statements of Cash Flow

For the three and six months ended April 30, 2011 and 2010

(Unaudited)

(Expressed in Canadian dollars, except where indicated)

	Three Months Ended April 30 2011	Three Months Ended April 30 2010	Six Months Ended April 30 2011	Six Months Ended April 30 2010
<b>Cash flows from operating activities</b>				
Loss for the period	(195,510)	(119,517)	(320,034)	(317,640)
<b>Items not affecting cash</b>				
Depreciation and amortization	1,403	911	4,065	1,223
	<u>(194,107)</u>	<u>(118,606)</u>	<u>(315,969)</u>	<u>(316,417)</u>
<b>Change in non-cash operating working capital</b>				
Increase in accounts receivable and prepaid expenses	(52,990)	-	(52,990)	-
Increase in accounts payable and accrued liabilities	34,557	-	34,557	-
	<u>(212,540)</u>	<u>(118,606)</u>	<u>(334,402)</u>	<u>(316,417)</u>
<b>Cash flows from financing activities</b>				
Funding provided by Valley High	175,551	186,541	297,412	294,040
Issuance and redemption of seed shares	(1)	-	-	-
Cash from Plan of Arrangement (note 2)	1,800,000	-	1,800,000	-
	<u>1,975,550</u>	<u>186,541</u>	<u>2,097,412</u>	<u>294,040</u>
<b>Cash flows from investing activities</b>				
Mineral property acquisition costs	-	(52,800)	-	(62,800)
Mineral property reimbursements	-	-	-	100,000
Payments to acquire capital assets	-	(15,135)	-	(14,823)
	<u>-</u>	<u>(67,935)</u>	<u>-</u>	<u>22,377</u>
<b>Increase in cash and cash equivalents</b>	1,763,010	-	1,763,010	-
<b>Cash and cash equivalents - Beginning of period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash and cash equivalents - End of period</b>	<u>1,763,010</u>	<u>-</u>	<u>1,763,010</u>	<u>-</u>

# Bearing Resources Ltd.

## Notes to the Condensed Consolidated Financial Statements

### For the three and six months ended April 30, 2011 and 2010

(Unaudited)

(Expressed in Canadian dollars, except where indicated)

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#### 1 Nature of Operations

Bearing Resources Ltd. (the “Company” or the “Bearing”) is an exploration stage company that is engaged directly in the exploration and development of mineral properties in Mexico and Canada. The recoverability of the amounts shown for mineral property assets is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and the ability of the Company to obtain the necessary financing to continue the exploration and future development of its mining properties, or realizing the carrying amount through a sale. The Company’s registered office is in Vancouver, British Columbia, Canada.

Bearing was incorporated on January 13, 2011 as 0900353 B.C.LTD (subsequently renamed on January 31, 2011 to Bearing). On March 25, 2011, Levon Resources Ltd. (“Levon”) acquired Valley High Ventures Ltd. (“Valley High”), the predecessor corporation to the Company (note 2), by way of a court-approved plan of arrangement (the “Arrangement”). On June 10, 2011, Bearing began trading on the TSX Venture Exchange.

#### 2 Plan of arrangement

Under the Arrangement, each Valley High Share was exchanged for one Levon Share and 0.125 of a Bearing Resources Ltd. Share.

Valley High’s interest in October Dome, Mount Polley and Flume properties, and other staked Yukon properties and its early exploration prospect, Carreton, in Mexico (collectively, “the Projects”) were transferred to Bearing, together with \$1.8 million in cash. Bearing also provided Levon with an indemnification in respect of the tax payable on disposition of Bearing, in the event that the fair market value of the assets transfers exceeds the tax pools available to Valley High upon acquisition.

The formation of Bearing was the result of the transfer of assets between entities under common control: accordingly, the transaction is excluded from the scope of IFRS 3 (R), Business Combinations. These financial statements have been presented using predecessor accounting with balance sheet amounts based on the amounts recorded by Valley High up to March 25, 2011.

Carrying value of assets transferred and acquired pursuant to the Plan of Arrangement on March 25, 2011 consisted of the following:

Cash	1,800,000
Property, Plant & Equipment	12,846
Other Deposits and Prepaid	69,392
Mineral Properties	758,237
	<u>2,640,475</u>

# Bearing Resources Ltd.

## Notes to the Condensed Consolidated Financial Statements

### For the three and six months ended April 30, 2011 and 2010

(Unaudited)

(Expressed in Canadian dollars, except where indicated)

### 3 Financial Presentation

Bearing was incorporated on January 13, 2011 and began operations on March 25, 2011. Financial statement information prior to this date reflects the financial position, statements of loss, comprehensive loss and deficit and cash flows of the related Bearing Business of Valley High. This information has previously been reported as the Bearing Business. The statements of loss, comprehensive loss and deficit for the three and six months ended April 30, 2011 include an allocation of Valley High's general and administrative expenses incurred up to March 25, 2011 and expenses incurred directly by Bearing for the subsequent period. The consolidated schedule of mineral property costs for the six months ended April 30, 2011 include the direct exploration expenses deferred to the Bearing properties.

The allocation of general and administrative expense was calculated on the basis of the ratio of costs deferred on the Bearing Business properties in each period presented as compared to the costs incurred on all mineral properties in each period. The consolidated financial statements have been presented under the continuity of interests basis of accounting with balance sheet amounts based on the amounts recorded by Valley High. Management cautions readers of these financial statements, that the allocation of expenses does not necessarily reflect future general and administrative expenses.

The opening deficit of Bearing at November 1, 2009 has been calculated by applying the same allocation principles outlined above to the cumulative transactions relating to the Projects and includes an allocation of Valley High's general and administrative expenses. The allocation of these general and administrative costs was calculated in the same way as described above.

### 4 Change in accounting policies

#### Exploration and Evaluation Expenditures:

During the period ended April 30, 2011, the Company retrospectively changed its accounting policy for exploration and evaluation expenditures to align itself with policies applied by other companies in the mining and exploration industry. The Company now capitalizes exploration expenditures when a known resource exists and management believes that the costs are economically recoverable. Property acquisition costs are capitalized.

Exploration and evaluation expenditures are now charged to net loss as they are incurred until the mineral property reaches the development stage. Significant costs related to property acquisition are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. The impact of this change on the previously reported October 31, 2010 financial statements is as follows:

	Reported \$	Adjustment \$	Restated \$
<b>Mineral property interest</b>	2,366,111	(1,655,099)	711,012
<b>Loss for the year</b>	722,763	(3,758)	719,005
<b>Deficit</b>	1,053,038	1,658,857	2,711,895

# **Bearing Resources Ltd.**

## **Notes to the Condensed Consolidated Financial Statements**

### **For the three and six months ended April 30, 2011 and 2010**

(Unaudited)

(Expressed in Canadian dollars, except where indicated)

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## **5 Significant accounting policies**

### **Basis of Presentation**

The financial statements of the Business have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as Bearing was incorporated on January 13, 2011. These financial statements include all adjustments, of a normal recurring nature, considered necessary by management to fairly present the financial position, results of operations and cash flows of the Bearing Business up to March 25, 2011 and the Company thereafter.

The financial information included herein may not necessarily reflect the financial position, results of operations and changes in cash flows of the Projects in the future or what they would have been had it been a separate, stand-alone entity during the periods presented.

### **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.

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 is the Canadian dollar.

Foreign currency transactions are translated in the functional currency using the exchanges rates prevailing at the dates of the transactions. Foreign exchange gains and losses on the settlement of such transactions and on re-measurement of monetary assets and liabilities at the year-end date are included in net income for the period.

### **Property, plant and equipment**

Property, plant and equipment including office furniture and fixtures are recorded at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets. Office furniture and fixtures are depreciated on a declining balance basis at a rate of 45%.

### **Exploration and Evaluation Costs**

Exploration and evaluation costs include costs to acquire the rights to explore, geological studies, exploratory drilling and sampling and directly attributable administrative costs.

Exploration and evaluation costs relating to non-specific projects or properties or those incurred before the Company has obtained legal rights to explore an area are expensed in the period incurred. Property acquisition costs are capitalized.

Exploration and evaluation costs are recognized as mineral property interests when management has established that a resource exists or that the costs can be economically recovered.

# **Bearing Resources Ltd.**

## **Notes to the Condensed Consolidated Financial Statements**

### **For the three and six months ended April 30, 2011 and 2010**

(Unaudited)

(Expressed in Canadian dollars, except where indicated)

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#### **5 Significant accounting policies (continued)**

Once the technical feasibility and commercial viability of the extraction of resources from a particular mineral property has been determined, exploration and evaluation assets are reclassified to mine properties within property, plant and equipment.

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

##### **Asset impairment**

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

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

##### **Income taxes**

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

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

#### **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.

##### **c) 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.

# **Bearing Resources Ltd.**

## **Notes to the Condensed Consolidated Financial Statements**

### **For the three and six months ended April 30, 2011 and 2010**

(Unaudited)

(Expressed in Canadian dollars, except where indicated)

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#### **5 Significant accounting policies (continued)**

##### **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.

#### **6 Exploration Costs**

Exploration costs are comprised of exploration and evaluation expenses on the following properties. Acquisition costs are capitalized until such time the mineral property is disposed of or placed into production:

##### **October Dome Property**

The October Dome properties comprise approximately 2,542 hectares located 7 km northwest of Likely, British Columbia, Canada. 1,090 hectares were purchased for the issuance of 733,334 Valley High shares and are subject to a 2% NSR, with each 0.5% purchasable for \$500,000. A further 667 hectares were acquired for \$10,000 cash and the issuance of 270,000 Valley High shares. In addition, the Company has a 100% interest, subject to a 1.5% NSR royalty, in the Dome claims. The Dome claims were acquired for a cash payment of \$10,000 and the issuance of 270,000 Valley High shares.

##### **Mount Polley Properties, Canada**

The Mount Polley properties comprise approximately 10,000 hectares located adjacent to Imperial Metals Corporation's ("Imperial") producing Mount Polley open-pit copper gold mine, which is northeast of Williams Lake, British Columbia, Canada. The Company has a 90% interest in a portion of the Lloyd claims (including the Boundary Zone) and a 100% interest in the remaining Lloyd claims, subject to a 1.5% NSR royalty.

The Company also has a 100% interest in the Nordik, Buc, and Calm claims are subject to a 2% NSR royalty, which can be purchased for \$500,000 for each one-half percent, with the exception of the Buc claims.

Imperial was granted the right to acquire a 100% interest in one complete mineral cell and four partial cells that are adjacent to Imperial's Boundary Zone. Imperial exercised its option by paying \$300,000. The claims sold to Imperial are subject to a royalty for material that is milled. The royalty is \$2.50 per tonne for the first 400,000 tonnes of material milled and \$1.25 per tonne for all tonnes milled in excess of 400,000 tonnes. The royalty in excess of 400,000 tonnes can be reduced to \$0.62 per tonne by Imperial making a payment of \$1,000,000. The Company is entitled to 90% of the aforementioned royalties.

##### **Other Properties**

Includes costs associated with the Company's exploration and evaluation programs in the Mexico and the Yukon. In Mexico the Company is actively exploring in Mexico and holds the Carreton claims

In the Yukon, the Company has the Flume Property. On June 24 2009, Valley High entered into an option agreement with Phelps Dodge Corporation of Canada, Limited ("PDC"), a wholly owned subsidiary of Freeport-McMoRan Copper & Gold Inc., to acquire a 100% interest in the Flume property located in Yukon Territory, Canada. The Flume comprises 191 mineral claims totalling approximately 3,900 hectares.



# Bearing Resources Ltd.

## Notes to the Condensed Consolidated Financial Statements

### For the three and six months ended April 30, 2011 and 2010

(Unaudited)

(Expressed in Canadian dollars, except where indicated)

#### 6 Exploration Costs (continued)

Bearing may earn a 100% interest in the Flume property by making cash payments totalling \$225,000 (2010: \$20,000 (paid); 2011: 25,000; 2012: 30,000; 2013: 150,000) and by spending \$500,000 on exploration over four years. PDC also retains the right to share in the proceeds derived from the sale or option of the property to a third party in the amount of 50% of proceeds in excess of the payment required to be made by the Company during the first year and 25% of the excess proceeds in any subsequent year.

A \$200,000 work program must be completed by June 24, 2011. PDC retains a 2% NSR royalty, of which one half can be purchased by Bearing for \$1,000,000.

On January 26 2010, Valley High signed an option agreement with Ryan Gold Inc. ("Ryan Gold") (formerly Valdez Gold Inc.), whereby Ryan Gold has been granted the right to earn a potential 75% interest in the Flume property. Under the terms of the agreement, Ryan Gold has the right to earn a 51% interest in the Flume property by incurring \$1,500,000 in qualified expenditures over a four year period (with a minimum commitment of \$200,000 which has already been incurred) with cash payments to Valley High of \$25,000 on signing (paid), \$25,000 after the first six months (paid), \$50,000 on June 24, 2011, \$75,000 on June 24, 2012 and \$325,000 on June 24, 2013. If the earn-in is achieved, Ryan Gold has a further option to increase its share to 65% by spending an additional \$5,000,000 and making further staged cash payments totalling \$500,000. Ryan Gold may further increase its share to 75% by completing a feasibility study and making a \$1,000,000 payment.

#### Mexico

The Company is also actively exploring in Mexico and holds the Carreton claims.

For the three months ended April 30, 2011				
\$	October Dome	Mt. Polley	Other	Total
Administration costs	2,393	-	21,210	23,603
Consulting, labour & professional fees	14,597	-	78,676	93,273
Property investigation	-	-	3,596	3,596
Travel & accommodation	-	-	5,013	5,013
<b>Total exploration expenditure</b>	<b>16,990</b>	<b>-</b>	<b>108,495</b>	<b>125,485</b>

For the three months ended April 30, 2010				
\$	October Dome	Mt. Polley	Other	Total
Administration costs	-	491	(8,130)	(7,639)
Consulting, labour & professional fees	-	12,977	71,869	84,846
Property investigation	-	-	358	358
Travel & accommodation	-	-	-	-
<b>Total exploration expenditure</b>	<b>-</b>	<b>13,468</b>	<b>64,097</b>	<b>77,565</b>

# Bearing Resources Ltd.

## Notes to the Condensed Consolidated Financial Statements

**For the three and six months ended April 30, 2011 and 2010**

(Unaudited)

(Expressed in Canadian dollars, except where indicated)

### 6 Exploration Costs (continued)

<b>For the six months ended April 30, 2011</b>				
<b>\$</b>	<b>October Dome</b>	<b>Mt. Polley</b>	<b>Other</b>	<b>Total</b>
Administration costs	2,393	-	22,251	24,644
Consulting, labour & professional fees	31,713	-	108,225	139,938
Property investigation	10,529	-	4,893	15,422
Travel & accommodation	-	-	15,804	15,804
<b>Total exploration expenditure</b>	<b>44,635</b>	<b>-</b>	<b>151,173</b>	<b>195,808</b>

<b>For the six months ended April 30, 2010</b>				
<b>\$</b>	<b>October Dome</b>	<b>Mt. Polley</b>	<b>Other</b>	<b>Total</b>
Administration costs	17	491	12,306	12,814
Consulting, labour & professional fees	30,197	16,722	96,236	143,155
Property investigation	41,712	44,229	358	86,299
Property payments received	-	-	(10,000)	(10,000)
Travel & accommodation	-	-	-	-
<b>Total exploration expenditure</b>	<b>71,926</b>	<b>61,442</b>	<b>98,900</b>	<b>232,268</b>

### 7 Mineral property interests

<b>\$</b>	<b>October Dome</b>	<b>Mt. Polley</b>	<b>Other</b>	<b>Total</b>
<b>Opening – November 1, 2009</b>	<b>502,117</b>	<b>130,770</b>	<b>-</b>	<b>632,887</b>
Acquisition costs	52,940	66	140,119	193,125
Property payments received		(90,000)	(25,000)	(115,000)
<b>Closing – October 31, 2010</b>	<b>555,057</b>	<b>40,836</b>	<b>115,119</b>	<b>711,012</b>
Acquisition costs	-	-	47,225	47,225
Property payments received	-	-	-	-
<b>Closing – April 30, 2011</b>	<b>555,057</b>	<b>40,836</b>	<b>162,344</b>	<b>758,237</b>

Under the Company's accounting policy all acquisition costs are deferred until the property is placed into production or disposed of (note 4). A description of the mineral property interests described above is contained in note 6.

### 8 Common shares

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

# Bearing Resources Ltd.

## Notes to the Condensed Consolidated Financial Statements

**For the three and six months ended April 30, 2011 and 2010**

(Unaudited)

(Expressed in Canadian dollars, except where indicated)

### 9 Share stock options

The Company has a stock option 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 plan.

As at April 30, 2011, no stock options had been granted under the aforementioned plan.

### 10 Related party transactions

	April 30, 2011
Short-term employee benefits	14,704
Share-based payments	-
<b>Total key management personnel</b>	<b>14,704</b>

### 11 Geographic segmented information

The Company operates in a single operating segment, mineral exploration. The following table illustrates the geographic location of the Company's assets.

\$	Mexico	Canada	Total
<b>April 30, 2011</b>			
Loss for the period	154,716	165,318	320,034
Non-current assets	-	782,065	782,065
<b>Total assets</b>	<b>26,070</b>	<b>2,571,995</b>	<b>2,598,065</b>
<b>October 31, 2010</b>			
Loss for the year	299,768	419,237	719,005
Non-current assets	-	738,905	738,905
<b>Total assets</b>	<b>-</b>	<b>738,905</b>	<b>738,905</b>

### 12 Contingencies

As part of the Arrangement, Bearing agreed to indemnify Levon from any tax liabilities associated with the transfer of the assets to Bearing from Valley High. At this time, the Company does not believe that any significant liabilities will be realized as a result of this indemnification and this liability, if any, will not be known until all tax returns are completed.

# **Bearing Resources Ltd.**

## **Notes to the Condensed Consolidated Financial Statements**

**For the three and six months ended April 30, 2011 and 2010**

(Unaudited)

(Expressed in Canadian dollars, except where indicated)

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### **13 Subsequent Events**

#### **Zymo Option Agreement:**

On June 20, 2011, the Company announced it had entered into an option agreement with Eastfield Resources Ltd. ("Eastfield") to earn up to a 65% interest in the 12,113 hectare Zymo copper-gold project ("Zymo"), located 45 kilometres west of the town of Smithers, British Columbia. Subject to financing, Bearing plans to execute an extensive exploration program in 2011 that will include expanded geochemical, IP surveys and drilling

To earn an initial 51% interest Bearing will make cash payments totaling \$500,000 (\$100,000 on signing) and issue 500,000 Bearing shares (100,000 shares on signing) and complete exploration expenditures totaling \$8,000,000 over a five year period. Bearing may earn an additional 9% interest by completing a feasibility study and maintaining minimum annual expenditures of \$500,000. Should Bearing make the decision to put the property into production, Bearing will have an option to earn an additional 5% interest by paying \$10,000,000, issuing 2,000,000 Bearing shares and arranging project financing for the mine development. The option agreement remains subject to the approval of the TSX Venture Exchange.

#### **Parranderra, Durango, Mexico:**

On June 21, 2011, the Company announced that it had optioned the Parranderra gold-copper-zinc prospects through agreements with local Mexican vendors. The Company has also made application and surveyed two additional claims in its own name that are contiguous with the Parranderra properties. The Parranderra project is located in the Mapimi region of eastern Durango, Mexico.

The Parranderra options include a contiguous 49 hectare claim group and a roughly 250 hectare claim group. The Company has also staked two additional claims in its own name (Pedro and Pedro 1) that are contiguous with these claim groups. The Pedro and Pedro 1 claims cover roughly 26,550 hectares. Bearing has the right to acquire a 100% interest in both the optioned properties. The 49 hectare claim group can be purchased for a total of \$250,000 over two years, subject to a 1.5% NSR (0.5% purchasable for \$100,000). The 250 hectare claim group can be purchased for a total of \$560,000 over three years subject to a 1.5% NSR (0.5% purchasable for \$500,000).

#### **Financing:**

On June 24, 2011, the Company announced a non-brokered private placement of up to 5,952,381 units ("Units") and up to 5,952,381 common shares to be issued on a "flow-through" basis ("Flow-Through Shares") (the "Offering"). Each Unit will be comprised of one common share of the Company ("Common Share") and one half of a common share purchase warrant (a "Warrant"). The Units will be offered at a price of \$0.42 per Unit and the Flow-Through Shares will be offered at a price of \$0.42 per Flow-Through Share for aggregate gross proceeds of up to \$5 million. Each whole Warrant will be exercisable for one common share of the Company for a period of 12 months from the closing date of the Offering at an exercise price of \$0.60.

The Offering is subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the TSX Venture Exchange and the securities regulatory authorities. The proceeds from the above financings will be used to fund the Company's planned exploration programs in the Yukon, British Columbia, Mexico and for general working capital.