



**Condensed Interim Consolidated Financial Statements**

For the Quarter Ended April 30, 2016

(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.

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

# Bearing Resources Ltd.

## Condensed Consolidated Statement of Financial Position

As at April 30, 2016 and October 31, 2015 (unaudited)

(Expressed in Canadian dollars, except where indicated)

	April 30, 2016 \$	October 31, 2015 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	484,347	573,816
Accounts receivable and prepaid expenses	11,272	4,790
Investments	1	1
	<u>495,620</u>	<u>578,607</u>
<b>Non-current assets</b>		
Reclamation bonds and deposits	21,920	21,942
Mineral property interests (note 4)	248,329	248,329
	<u>765,869</u>	<u>848,878</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	11,986	22,419
<b>Shareholders' Equity</b>		
Common shares	8,677,789	8,677,789
Contributed surplus	5,023,092	5,023,092
Accumulated other comprehensive income ("AOCI")	2,311	3,267
Deficit	<u>(12,949,309)</u>	<u>(12,877,689)</u>
	<u>753,883</u>	<u>826,459</u>
	<u>765,869</u>	<u>848,878</u>

Contingencies (note 10)

Approved by the Board of Directors

*"Kirk Shaw"*

*"Eduard Epshtein"*

\_\_\_\_\_  
Director

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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, 2016 and 2015

(Expressed in Canadian dollars, except where indicated)

	Three Months Ended April 30, 2016	Three Months Ended April 30, 2015	Six Months Ended April 30, 2016	Six Months Ended April 30, 2015
	\$	\$	\$	\$
<b>Expenditures</b>				
<b>Exploration costs</b>				
Expenditures (note 3)	10,155	(26,442)	16,531	(8,584)
Write-downs of mineral property interests	-	345,057	-	345,057
	10,155	318,615	16,531	336,473
<b>Corporate and other costs</b>				
Audit, filing and legal fees	17,772	20,703	24,899	26,265
Consulting and labour	8,796	32,337	20,100	64,001
Depreciation and amortization	-	-	-	-
Finance income	(36)	(2,173)	(71)	(4,627)
Foreign exchange (gain)	8,594	-	3,106	-
Other costs	-	4,274	164	(3,642)
Rent and office costs	3,295	5,167	6,891	10,660
	38,422	60,308	55,088	92,657
<b>Loss for the period</b>	48,577	378,923	71,620	429,130
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to loss for the period</b>				
Foreign currency translation adjustment	645	1,825	956	2,258
	49,222	380,748	72,576	431,388
<b>Comprehensive loss for the period</b>	49,222	380,748	72,576	431,388
<b>Basic and diluted loss per share</b>	0.00	0.01	0.00	0.02
<b>Weighted average shares outstanding</b>	25,889,648	25,889,648	25,889,648	25,889,648

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

# Bearing Resources Ltd.

## Condensed Consolidated Statement of Shareholders' Equity

### For the three and six months ended April 30, 2016 and 2015

(Expressed in Canadian dollars, except where indicated)

	Common shares		Contributed Surplus \$	AOCI \$	Deficit \$	Shareholders' equity \$
	No. of shares #	Amount \$				
<b>Balance –November 1, 2014</b>	25,889,648	8,677,789	5,023,092	5,286	(12,367,410)	1,338,757
Comprehensive income (loss)	-	-	-	(2,258)	(429,130)	(431,388)
<b>Balance – April 30, 2015</b>	25,889,648	8,677,789	5,023,092	3,028	(12,796,540)	907,369
<b>Balance –November 1, 2015</b>	25,889,648	8,677,789	5,023,092	3,267	(12,877,689)	826,459
Comprehensive income (loss)	-	-	-	(956)	(71,620)	(72,576)
<b>Balance – April 30, 2016</b>	25,889,648	8,677,789	5,023,092	2,311	(12,949,309)	753,883

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

# Bearing Resources Ltd.

## Condensed Consolidated Statement of Cash Flow

### For the three and six months ended April 30, 2016 and 2015

(Expressed in Canadian dollars, except where indicated)

	Three Months Ended April 30, 2016 \$	Three Months Ended April 30, 2015 \$	Six Months Ended April 30, 2016 \$	Six Months Ended April 30, 2015 \$
<b>Cash flows from operating activities</b>				
Loss for the period	(48,577)	(378,923)	(71,620)	(429,130)
<b>Items not affecting cash</b>				
Mineral Property write-down	-	345,057	-	345,057
Unrealized foreign exchange (gain)	8,594	3,814	3,106	(4,674)
<b>Change in non-cash operating working capital</b>				
Decrease (increase) in accounts receivable & prepaid expenses	(9,182)	(9,464)	(6,461)	(6,790)
Increase (decrease) in accounts payable & accrued liabilities	(16,431)	5,868	(10,433)	2,643
	(65,596)	(33,648)	(85,408)	(92,894)
<b>Cash flows from financing activities</b>	-	-	-	-
<b>Cash flows from investing activities</b>	-	-	-	-
<b>Effect of exchange rate changes on cash and equivalents</b>	(9,239)	(5,639)	(4,062)	2,416
<b>Decrease in cash and cash equivalents</b>	(74,835)	(39,287)	(89,469)	(90,478)
<b>Cash and cash equivalents - Beginning of period</b>	559,182	677,784	573,816	728,975
<b>Cash and cash equivalents - End of period</b>	484,347	638,497	484,347	638,497

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

# **Bearing Resources Ltd.**

Notes to the Consolidated Financial Statements

**For the three and six months ended April 30, 2016 and 2015**

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(Expressed in Canadian dollars, except where indicated)

## **1 Nature of operations**

Bearing Resources Ltd. (the “Company” or “Bearing”) is engaged in the exploration and development of mineral properties in Mexico and Canada. The Company’s registered office is Suite 2600, Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, Canada. Bearing was incorporated on January 13, 2011 as 0900353 B.C. LTD. On March 25, 2011, Levon Resources Ltd. (“Levon”) acquired Valley High Ventures Ltd. (“Valley High”), the predecessor corporation to the Company, by way of a court-approved plan of arrangement (the “Arrangement”).

### **Reorganization**

On May 5, 2015, the Company announced its proposal to complete a corporate reorganization (the “Reorganization”) that would have transformed it from a mineral exploration company to a film, television and digital media company. The Reorganization would have included the reverse takeover of the Company by Odyssey Media Inc. (“Odyssey”) and the concurrent disposition of the Company’s mineral properties in exchange for shares of Commander Resources Inc. (“Commander”). On March 14, 2016, the Company announced the termination of this Reorganization with Odyssey but, subject to regulatory approval, is still pursuing the disposition of the Company’s mineral properties with Commander whereby Bearing would receive 13,000,000 common shares of Commander and \$15,000 in cash.

The Company is also continuing to evaluate other opportunities and intends to provide an update to its shareholders in the near future.

## **2 Significant accounting policies**

### **Basis of presentation**

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34- Interim Financial Reporting. The accounting policies followed in these condensed interim consolidated financial statements are consistent with those of the previous financial year.

These interim consolidated financial statements were approved for issue on June 2, 2016 by the Audit Committee on behalf of the Board of Directors. The condensed interim consolidated financial statements do not contain all disclosures required under IFRS and should be read in conjunction with the Company’s audited annual consolidated financial statements and the notes thereto for the year ended October 31, 2015.

## **3 Exploration costs**

Exploration costs are comprised of exploration and evaluation expenses on the following properties/ groupings. For an understanding of the properties/ groupings, reference should be made to note 4.

# Bearing Resources Ltd.

Notes to the Consolidated Financial Statements

**For the three and six months ended April 30, 2016 and 2015**

(Expressed in Canadian dollars, except where indicated)

## 3 Exploration costs (continued)

<b>For the three months ended April 30, 2016 (\$)</b>	<b>OctDome</b>	<b>Mexico</b>	<b>Other</b>	<b>Total</b>
General & administration	-	1,307	-	1,307
Property Investigation	-	-	8,848	8,848
	-	1,307	8,848	10,155
<b>For the three months ended April 30, 2015 (\$)</b>	<b>OctDome</b>	<b>Mexico</b>	<b>Other</b>	<b>Total</b>
General & administration	3,578	(30,020)	-	(26,442)
	3,578	(30,020)	-	(26,442)
<b>For the six months ended April 30, 2016 (\$)</b>	<b>OctDome</b>	<b>Mexico</b>	<b>Other</b>	<b>Total</b>
General & administration	-	7,683	-	7,683
Property Investigation	-	-	8,848	8,848
	-	7,683	8,848	16,531
<b>For the six months ended April 30, 2015 (\$)</b>	<b>OctDome</b>	<b>Mexico</b>	<b>Other</b>	<b>Total</b>
General & administration	4,674	(13,758)	-	(9,084)
Geology & geochemistry	500	-	-	500
	5,174	(13,758)	-	(8,584)

## 4 Mineral property interests

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

<b>\$</b>	<b>OctDome</b>	<b>Mt Polley</b>	<b>Other</b>	<b>Total</b>
<b>October 31, 2014</b>	555,057	13,325	25,004	593,386
Write-downs ( recoveries)	(345,057)	-	-	(345,057)
<b>October 31, 2015</b>	210,000	13,325	25,004	248,329
<b>April 30, 2016</b>	210,000	13,325	25,004	248,329

The **October Dome gold property** is located northwest of Likely, British Columbia, Canada. A portion of the property is subject to a 2% Net Smelter Royalty ("NSR"), with each 0.5% purchasable for \$500,000. A further portion is subject to a 1.5% NSR royalty. In April 2015, the Company wrote down its interest in October Dome as impairment is indicated by the terms of the proposed Commander Transaction (note 1). The amount of the write-down has been estimated based on the value of the cash and shares proposed to be received from Commander as of October 31, 2015.

The **Mt. Polley copper-gold properties** are located adjacent to Imperial Metals Corporation's ("Imperial") Mt. Polley open-pit copper gold mine, northeast of Williams Lake, British Columbia, Canada. The Company has a 90% interest in a portion of the Lloyd claims and a 100% interest in the remaining Lloyd claims, subject to a 1.5% NSR royalty. The Company also has a 100% interest in the Nordik, Buc, and Calm claims subject to a 2% NSR royalty. The NSR royalty on each claim group with the exception of the Buc claims can be purchased for \$500,000 for each one-half percent.



# Bearing Resources Ltd.

Notes to the Consolidated Financial Statements

**For the three and six months ended April 30, 2016 and 2015**

(Expressed in Canadian dollars, except where indicated)

## 4 Mineral property interests (continued)

The Mt. Polley properties previously included an additional area adjacent to Imperial's Boundary Zone that was sold to Imperial over which the Company retained a royalty interest. The royalty is \$2.50 per tonne for the first 400,000 tonnes of material milled and \$1.25 per tonne for all tonnes milled in excess of 400,000 tonnes. The royalty in excess of 400,000 tonnes can be reduced to \$0.62 per tonne for a payment of \$1,000,000. The Company is entitled to 90% of the aforementioned royalties.

In the **Yukon**, the Company's portfolio includes the Flume (subject to a 2.5% NSR), HY (subject to a 2% NSR), Jay, VM, VBA and Big properties. It also has royalties on properties owned by Aben Resources Ltd. (a 2% NSR on the VF property) and Precipitate Gold Corporation (a 2% NSR on the Jay East Property). In July 2013, the Company wrote down acquisition costs on its Yukon properties (excluding Flume).

In **Mexico**, the Pedro gold property is located near the city of Torreon, the property was previously drilled by Newmont de Mexico, S.A de C.V ("Newmont"), under an option agreement that was terminated in 2014.

## 5 Common shares

*Authorized*

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

### Capital risk management

The Company considers its common shares and options as capital. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can either complete the Odyssey Transaction or continue to explore and develop its projects for the benefit of its stakeholders.

## 6 Share stock options

The Company has a stock option plan (the "Plan") that permits the grant of share purchase options up to 10% of the issued and outstanding common shares of the Company to directors, officers, key employees and consultants. Terms and pricing of options are determined at the date of grant in accordance with the Plan.

	2016		2015	
	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
Outstanding - October 31	1,300,000	0.09	1,300,000	0.09
<b>Outstanding – April 30</b>	<b>1,300,000</b>	<b>0.09</b>	<b>1,300,000</b>	<b>0.09</b>

As of April 30, 2016, the following stock options were outstanding:

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

For the period ended April 30, 2016 total share-based compensation expense was \$nil (2015: nil).

# Bearing Resources Ltd.

Notes to the Consolidated Financial Statements

**For the three and six months ended April 30, 2016 and 2015**

(Expressed in Canadian dollars, except where indicated)

## 7 Related party transactions

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

	Three Months Ended April 30, 2016	Three Months Ended April 30, 2015	Six Months Ended April 30, 2016	Six Months Ended April 30, 2015
\$				
Short-term employee benefits	13,700	27,932	22,939	55,853
Share-based payment expense	-	-	-	-
<b>Total key management personnel</b>	<b>13,700</b>	<b>27,932</b>	<b>22,939</b>	<b>55,853</b>

## 8 Geographic segmented information

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

\$	Canada	Total
<b>April 30, 2016</b>		
Non-current assets	270,249	270,249
<b>October 31, 2015</b>		
Non-current assets	270,183	270,183

## 9 Financial instruments

Financial instruments include cash and any contracts that give rise to a financial asset to one party and a financial liability or equity instrument to another party. Financial instruments disclosure requires information about the classification and fair value of financial instruments, including their classification within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

### Fair Values

As at April 30, 2016, the Company's carrying values of cash and cash equivalents, accounts receivable, reclamation bonds and deposits, accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity. The Company has no assets measured at fair value on a recurring basis.

### Credit Risk

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

### Interest Rate Risk

The Company is exposed to interest rate risk on its cash and cash equivalents held at April 30, 2016. A 100 basis point (1%) increase or decrease in the interest rate in 2016 would have resulted in approximately an \$2,609 change in the Company's reported loss for the period ended April 30, 2016 based on its closing balance.

# **Bearing Resources Ltd.**

Notes to the Consolidated Financial Statements

**For the three and six months ended April 30, 2016 and 2015**

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(Expressed in Canadian dollars, except where indicated)

## **9 Financial instruments (continued)**

### **Liquidity Risk**

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

### **Currency Risk**

As at April 30, 2016 the Company incurs expenses in Canadian dollars, Mexican pesos and United States dollars. The Company therefore has exposure to United States dollars as the functional currencies of the Company and its Mexican subsidiaries are Canadian dollars and Mexican pesos respectively. Both of these exposures are immaterial.

## **10 Commitments and Contingencies**

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