

CHAMPION BEAR RESOURCES LTD.

Financial Statements

Nine months ended September 30, 2019 and September 30, 2018

CHAMPION BEAR RESOURCES LTD.
Statement of Financial Position
As at September 30, 2019 and 2018

	<i>September 30</i> 2019	<i>December 31</i> 2018
ASSETS		
CURRENT		
Cash and cash equivalent	\$ -	\$ 190,747
Accounts receivable	<u>3,747</u>	<u>86,765</u>
	3,747	277,512
PROPERTY, PLANT AND EQUIPMENT <i>(Note 4)</i>	15,721	17,818
EXPLORATION AND EVALUATION ASSETS <i>(Note 5)</i>	<u>6,958,077</u>	<u>6,697,566</u>
	<u>\$ 6,977,545</u>	<u>\$ 6,992,896</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Bank indebtedness	\$ 4,604	\$ -
Accounts payable and accrued liabilities	651,090	574,699
Due to related parties <i>(Note 8)</i>	<u>2,323,236</u>	<u>2,179,213</u>
	<u>2,978,930</u>	<u>2,753,912</u>
SHAREHOLDERS' EQUITY		
Share capital <i>(Note 6)</i>	26,304,914	26,244,914
Equity reserve	4,145,822	4,145,822
Deficit	<u>(26,452,121)</u>	<u>(26,151,752)</u>
	<u>3,998,615</u>	<u>4,238,984</u>
	<u>\$ 6,977,545</u>	<u>\$ 6,992,896</u>

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See accompanying notes to financial statements.

CHAMPION BEAR RESOURCES LTD.
Statements of Comprehensive Loss
Nine months ended September 30, 2019 and 2018

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Expenses				
General and administrative	\$ 37,616	\$ 35,962	\$ 224,349	\$ 123,907
Consulting fees <i>(note 8)</i>	22,000	22,000	66,000	119,000
Interest expense	1,791	61	7,923	186
Unrealized foreign exchange loss	-	(7,189)	-	31,414
Share-based compensation <i>(note 7)</i>	-	73,408	-	210,603
Depreciation <i>(note 4)</i>	699	934	2,097	2,802
	62,106	125,176	300,369	487,912
Other (loss) income				
(Loss) gain on investments	-	-	-	-
Net loss and comprehensive loss for the period	(62,106)	(125,176)	(300,369)	(487,912)

See accompanying notes to financial statements.

CHAMPION BEAR RESOURCES LTD.
Statements of Changes in Shareholders' Equity
Nine months ended September 30, 2019 and 2018

	Number of shares	Share capital	Contributed surplus	Deficit	Total
As at January 1, 2018	46,466,325	\$ 25,201,358	\$ 3,990,942	\$ (25,476,783)	\$ 3,715,517
Private placement	4,582,056	916,411	-	-	916,411
Stock options exercised	1,194,945	127,145	(55,723)	-	71,422
Share-based compensation	-	-	210,603	-	210,603
Net Loss for the period	-	-	-	(674,969)	(674,969)
As at December 31, 2018	52,243,326	\$ 26,244,914	\$ 4,145,822	\$ (26,151,752)	\$ 4,238,984
As at January 1, 2019	52,243,326	\$ 26,244,914	\$ 4,145,822	\$ (26,151,752)	\$ 4,238,984
Private placement	300,000	60,000	-	-	60,000
Net Loss for the period	-	-	-	(300,369)	(300,369)
As at September 30, 2019	52,543,326	\$ 26,304,914	\$ 4,145,822	\$ (26,452,121)	\$ 3,998,615

See accompanying notes to financial statements.

CHAMPION BEAR RESOURCES LTD.
Statement of Cash Flows
Nine month Period Ended September 30, 2019 and 2018

	September 30, 2019	September 30, 2018
OPERATING ACTIVITIES		
Net loss	\$ (300,369)	\$ (487,912)
Items not affecting cash:		
Amortization of property, plant and equipment	2,096	2,802
Unrealized foreign exchange loss	-	31,414
Share-based compensation	-	210,603
	<u>(298,273)</u>	<u>(243,093)</u>
Changes in non-cash working capital:		
Accounts receivable	(83,018)	3,662
Accounts payable and accrued liabilities	52,378	1,543
Prepaid expenses	-	6,192
Due to related parties	-	166,081
	<u>(30,640)</u>	<u>177,478</u>
Cash flow from operating activities	<u>(328,913)</u>	<u>(65,615)</u>
INVESTING ACTIVITIES		
Exploration and evaluation asset expenditures	(219,194)	(22,934)
Due to related parties	148,732	(10,944)
Cash flow used by investing activities	<u>(70,462)</u>	<u>(33,878)</u>
FINANCING ACTIVITIES		
Due to related parties	144,024	9,850
Stock options exercised	-	71,322
Prepaid share reserve	-	852,491
Private placement	60,000	-
Cash flow from financing activities	<u>204,024</u>	<u>933,663</u>
INCREASE (DECREASE) IN CASH FLOW	(195,351)	834,170
Cash and cash equivalents - beginning of period	<u>190,747</u>	<u>23,458</u>
CASH (DEFICIENCY) - END OF PERIOD	\$ (4,604)	\$ 857,628

See accompanying notes to financial statements.

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

1. BASIS OF PRESENTATION

Champion Bear Resources Ltd. (the "Company") was incorporated under the laws of the Province of Alberta. The Company's shares are traded on the TSX Venture Exchange ("TSXV"). The Company is principally engaged in the business of acquiring, exploring and developing interests in mining projects. To date, the Company has not generated revenues and is considered to be in the exploration stage.

The Company's registered office is located at 2005 – 9th Street SW, Calgary, Alberta, T2T 3C4.

On November 28, 2019, the Company's Board of Directors approved these financial statements.

Statement of compliance

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS").

2. GOING CONCERN

These financial statements have been prepared by management on a going concern basis, which assumes the Company will continue in operations for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2019, the Company has incurred cumulative losses of \$26,452,121 (December 31, 2018 – \$26,151,752) and its current liabilities exceed its current assets by \$2,975,191 (December 31, 2018 – \$2,476,400). The ability of the Company to continue operations is dependent upon the existence of economically recoverable reserves, successful development of the Company's mineral properties, continued receipt of financial support, completion of equity financings, and generating profitable operations in the future. It is not possible to predict whether economically recoverable reserves exist, the Company's financing efforts will be successful, or if the Company will attain a profitable level of operations. As a result of these factors, there is a material uncertainty that may result in significant doubt as to the ability of the Company to meet its obligations as they come due and continue as a going concern.

The financial statements do not reflect adjustments that may be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and the statement of financial position classification used.

The Company is in the process of exploring its mineral property interests, which will require the Company to obtain financing, and has not yet determined whether its mineral properties contain reserves that are economically recoverable. To ensure the mineral claims remain in good standing, the Company has certain commitments to meet (Note 10) and if these commitments are not met, or the appropriate applications for extension are not filed by the Company or accepted by the Ontario Ministry of Northern Development and Mines, the Company may lose its right to explore these mineral properties. Therefore, the Company's ability to continue as a going concern is dependent on both its ability to obtain additional financing to meet these commitments and discharge its working capital deficiency as well as the ongoing forbearance of its creditors and related parties to which amounts are owed.

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES

Interests in Joint Arrangements

A joint arrangement can take the form of a joint venture or joint operation. All joint arrangements involve a contractual arrangement that establishes joint control, which exists only when decisions about the activities that significantly affect the returns of the investee require unanimous consent of the parties sharing control. A joint operation is a joint arrangement in which we have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement in which we have rights to only the net assets of the arrangement.

The Company has interests in joint operations. Joint operations are accounted for by recognizing our share of the assets, liabilities, revenues, expenses and cash flows of the joint operation in our financial statements.

Finance income

Finance income is comprised of interest income and is recognized as it accrues in profit or loss.

Foreign currency translation

The presentation currency and the functional currency of the Company is the Canadian dollar.

Transaction in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in profit and loss.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location, and condition necessary for its intended use.

Depreciation is calculated using the declining balance method, less the estimated residual value, at the following rates:

Computer equipment	45%
Other equipment	20%
Furniture and fixtures	20%
Camp equipment	20%
Trailers and steel building	30%
Fences	10%

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

(continues)

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Exploration and evaluation assets

After the Company obtains the right to explore a property all exploration costs are capitalized, which includes licence acquisition costs and all costs associated with exploration and evaluation activities relating to specific properties as incurred, until those properties are determined to be commercially viable for mineral production. Once a project has been established as commercially viable and technically feasible, the accumulated exploration and evaluation costs, less any impairment, are transferred to property, plant and equipment and assessed for impairment. Subsequent development expenditures are capitalized as property, plant and equipment. Capitalization ceases when the mine is capable of commercial operation.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of the exploration and evaluation assets may exceed its recoverable amount. The recoverable amount of the exploration and evaluation assets is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in previous years.

The actual recoverable value of capitalized expenditures for mineral properties and deferred exploration costs will be contingent upon the discovery of economically viable reserves and the Company's financial ability at that time to fully exploit these properties or determine a suitable plan of disposition.

Share-based payments

The share option plan allows Company employees (including directors and senior executives) and consultants to acquire shares of the Company.

The Company uses the fair value method for valuing stock option grants using the Black-Scholes option pricing model. Under this model, the stock options granted are measured at fair value on the date of grant and the costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

At the time when the share options are exercised, the amount previously recognized in contributed surplus is transferred to share capital. When unvested options are forfeited the amount previously recognized in respect of the forfeited options is reversed.

(continues)

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss, except to the extent that it relates to items recognized directly in other comprehensive income, or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, as applicable.

a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period

b) Deferred income tax

Deferred income tax is recognized on taxable temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes

Deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Flow-through shares

The Company, from time to time, issues flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of the flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The difference between the value ascribed to flow-through shares issued and the value that would have been received for common shares at the date of issuance of the flow-through shares is initially recognized as a liability on the statement of financial position. When the qualifying expenditures are incurred, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Company as a result of the renunciation, and the difference is recognized in profit or loss.

(continues)

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments – recognition and measurement

i) Classification and measurement of financial assets:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss (“FVTPL”):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprehensive income (“FVOCI”) if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income (“OCI”). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Partnership may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets

a) Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

b) Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

c) Debt investments at FVOCI

(continues)

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

ii) Classification and measurement of financial liabilities:

Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified at FVTPL if it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company has classified cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due to related parties as 'amortized cost'.

Impairment of financial assets

The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime expected credit losses ("ECLs"). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets are deducted from the gross carrying amount of the assets. Impairment losses on financial assets are presented under "other expenses" in the statement of comprehensive loss.

(continues)

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Exploration and evaluation assets are also assessed for impairment when they are transferred to development and production assets and also when facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units), on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Earnings (loss) per share

Basic earnings (loss) per share are computed by dividing earnings (loss) by the weighted average number of shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less when acquired, which are readily convertible into a known amount of cash.

(continues)

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual results could differ from these estimates.

Estimates

Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods. However, actual outcomes can differ from these estimates.

Management has made a number of significant estimates and valuation assumptions based on present conditions and management's planned course of action as well as assumptions about future business and economic condition which include, but are not limited to, the following:

- **Exploration and evaluation assets**

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining the existence of possible impairment indicators and whether the future economic benefits are likely, which are based on assumptions about future events or circumstances, including the Company's expectations of commercial feasibility, resource and reserve estimates and views of future commodity prices. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written down to the estimated recoverable amount in profit or loss in the period when the new information becomes available.

- **Stock-based compensation**

Stock based compensation is accounted for using the fair market value method. Under this method, stock option expense is determined by the Black-Scholes option pricing model using the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, estimated forfeiture rates, and the risk-free interest rate. Differences in the estimation process for the determination of the assumptions used could cause differences in the determination of fair value.

- **Recovery of deferred income tax assets**

Judgement is required in determining whether deferred income tax assets are recognized on the statement of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Deferred income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is probable that they will be realized.

(continues)

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Adoption of recent accounting pronouncements:

Effective January 1, 2018, the Company adopted IFRS 9 Financial Instruments, which replaced IAS 39 Financial Instruments: Recognition and Measurement. The Company applied the new standard retrospectively. The adoption of IFRS 9 did not have an impact on the Company's financial statements. The nature and effects of the key changes to the Company's accounting policies resulting from the adoption of IFRS 9 are summarized below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 bases the classification of financial assets on the contractual cash flow characteristics and the Company's business model for managing the financial asset. Additionally, embedded derivatives are not separated if the host contract is a financial asset within the scope of IFRS 9. Instead, the entire hybrid contract is assessed for classification and measurement. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The differences between the two standards did not impact the Company at the time of transition.

Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI. Under IFRS 9, credit losses will be recognized earlier than under IAS 39. The ECL model applies to the Company's receivables.

Transition

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018 for each class of the Company's financial assets and financial liabilities. The Company has no contract assets or debt instruments measured at FVOCI. There were no adjustments to the carrying amounts of financial instruments as a result of the change in classification from IAS 39 to IFRS 9.

Financial Instrument	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables at amortized cost	Amortized cost
Accounts receivable	Loans and receivables at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	Amortized cost
Due to related parties	Financial liabilities at amortized cost	Amortized cost

Recent accounting pronouncements:

The following new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements.

(continues)

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IFRS 16, Leases (“IFRS 16”) introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption, provided IFRS 15, has been applied, or is applied at the same date as IFRS 16. The Company is in the process of determining the impact of IFRS 16 on its financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Other Equipment	Furniture	Mining Equipment	Trailers	Fences	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
At January 1, 2018	8,064	34,913	16,712	169,508	139,792	27,368	396,357
Additions (Disposals)	449	-	-	-	-	-	449
At December 31, 2018	8,513	34,913	16,712	169,508	139,792	27,368	396,806
Additions (Disposals)	-	-	-	-	-	-	-
At September 30, 2019	8,513	34,913	16,712	169,508	139,792	27,368	396,806
Accumulated Amortization							
At January 1, 2018	7,974	34,541	15,922	163,933	135,142	17,814	375,326
Charge for the period	40	72	157	1,042	1,396	955	3,662
At December 31, 2018	8,014	34,613	16,079	164,975	136,538	18,769	378,988
Charge for the period	30	51	117	132	1,047	720	2,097
At September 30, 2019	8,044	34,664	16,196	165,107	137,585	19,489	381,085
Net Book value							
At January 1, 2018	90	372	790	5,575	4,650	9,554	21,031
at December 31, 2018	499	300	633	4,533	3,254	8,599	17,818
At September 30, 2019	469	249	516	4,401	2,207	7,879	15,721

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

5. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation asset interests are located as follows:

	Plomp Farm	Eagle Rock	Parkin	Total
	\$	\$	\$	\$
Balance, January 1, 2018	186,368	3,667,488	2,146,163	6,000,019
Additions	675,195	11,521	10,831	697,547
Balance, December 31, 2018	861,563	3,679,009	2,156,994	6,697,566
Additions	21,211	237,590	1,703	260,504
Balance, September 30, 2019	882,774	3,916,599	2,158,697	6,958,070

a) Plomp Farm

The Plomp Farm Gold Properties are an advanced-stage exploration project located 20 kilometres west of Dryden, Ontario and consist of approximately 4,000 acres in two main claim blocks, owned 100% as patented and unpatented claims

b) Eagle Rock

The Eagle Rock Property is an advanced-stage exploration project located 65 kilometres south of Dryden, Ontario and consists of 58 staked claims held 100% by the Company.

In September 2019, the Company entered into an agreement to purchase a 100% interest in the claims held by 1544230 Ontario Inc. An initial non-refundable payment of \$1,000 was made upon signing this agreement. In three months, the Company will make a payment of \$6,000 and issue 100,000 shares. Further payments of \$12,000 on the first anniversary, \$16,000 on the second anniversary, and \$25,000 on the third anniversary are intended. There is a 1.5% NSR Option to buy back for \$1,000,000. When these terms are met, the Company will have earned a 100% in these claims.

c) Parkin Joint Venture

The Parkin Project is an advanced-stage exploration project located 5 kilometres northeast of the Sudbury Basin with 2,018 acres of claims and covers a significant portion of the Parkin Offset Dike. The Company holds a 50% interest in the property and has a carried interest in any potential future production.

d) Other Mineral Interests

The Company's Separation Rapids lithium property is located 55 km north of Kenora, northwest Ontario. The property consists of 17 mining claims in 2 blocks. The carrying value of this property at September 30, 2019 is \$ nil (December 31, 2018 - \$ nil).

The Company's ability to secure adequate financing for the development of the assets on economic terms, could result in a material difference from the current estimate of the recoverable amount.

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

6. SHARE CAPITAL

Authorized:

Unlimited number of voting common shares, without nominal or par value
 Unlimited number of first and second preferred shares, issuable in a series

	September 30, 2019		December 31, 2018	
	Shares	Amount	Shares	Amount
Common shares issued				
Beginning of the year	52,243,326	\$ 26,244,914	46,466,325	\$ 25,201,358
Private placement of common shares (i)	300,000	60,000	4,582,056	916,411
Exercise of stock options (ii)	-	-	145,000	-
Exercise of stock options (iii)	-	-	1,049,945	71,422
Contributed surplus on exercise of stock options	-	-	-	55,723
End of the year	52,543,326	\$ 26,304,914	52,243,326	\$ 26,244,914

- i) In October 2018, the Company completed a non-brokered private placement of 4,582,056 common shares at a price of \$0.20 per share for total gross proceeds of \$916,411. Certain directors of the Company, directly or indirectly, purchased an aggregate of 1,000,000 common shares pursuant to the private placement. In April 2019, the Company completed a non-brokered private placement of 150,000 common shares at a price of \$0.20 per share for total gross proceeds of \$30,000. The Company received a total of \$60,000 in private placement funds prior to the close on April 24, 2019.
- ii) In December 2017, key management personnel of the Company exercised 145,000 vested stock options at an average price of \$0.12 per share under the share purchase option compensation plan, and the Company received full consideration thereof prior to year-end. In January 2018, 145,000 common shares were issued as a result of the exercise of vested options
- iii) In February 2018, key management personnel of the Company exercised 749,945 vested stock options at an average exercise price of \$0.08 per share under the share purchase option compensation plan, and the Company received full consideration of \$56,422. In August 2018, key management personnel of the Company exercised 300,000 vested stock options at an average price of \$0.05 per share under the share purchase option compensation plan, and the Company received full consideration of \$15,000. The Company issued 1,049,945 common shares as a result of the exercise of vested options.

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

7. SHARE PURCHASE OPTION COMPENSATION PLAN

The Company has a stock option plan, administered by the Board of Directors, pursuant to which up to 5,239,333 common shares of the Company are reserved for issuance. Under the plan, the options vest over an eighteen month period and expire on the earlier of up to five years from date of grant or up to 90 days from the date from which the optionee ceases to be a director, officer, employee or consultant of the Company.

A continuity of stock options is presented in the following table:

	Number	Weighted Average Exercise Price 2019	Number	Weighted Average Exercise Price 2018
Outstanding at beginning of year	4,322,684	\$ 0.14	4,646,629	\$ 0.11
Granted	2,878,687	0.18	1,500,000	0.15
Exercised	-	-	(1,049,945)	0.07
Expired	(1,962,038)	0.13	(774,000)	0.05
Outstanding at end of year	5,239,333	\$ 0.17	4,322,684	\$ 0.14

The following summarizes information about stock options outstanding and exercisable as of September 30, 2019

Exercise price	Number outstanding	Weighted-Average		Weighted-Average Exercise Price
		Remaining Contractual Life (years)	Number Exercisable	
0.05	48,000	0.05	48,000	0.05
0.16	169,890	0.52	169,890	0.16
0.13	497,000	1.19	497,000	0.13
0.06	170,000	2.05	170,000	0.06
0.10	401,094	2.75	401,094	0.10
0.17	806,700	3.03	806,700	0.17
0.18	730,000	3.97	486,667	0.18
0.15	1,500,000	4.27	500,000	0.15
0.18	2,793,742	5.00	-	-
0.15	7,116,426	3.21	3,079,351	0.14

In February 2018, key management personnel of the Company exercised 749,945 vested stock options under the share purchase option compensation plan and the Company received full consideration of \$56,422. The Company issued 749,945 common shares as a result of the exercise of vested options. The weighted average trading price at the time of exercise was \$0.18.

In April 2018, the Company granted 1,500,000 stock options to the President and Chairman of the Company, the former Chief Financial Officer, one of the Company's directors and consultants at an exercise price of \$0.15 per common share. The options vest as to one-third thereof on each of the six, twelve and eighteen month anniversaries of the date of the grant. The fair value of the stock options granted was estimated to be approximately \$0.13 per option.

(continues)

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

7. SHARE PURCHASE OPTION COMPENSATION PLAN *(continued)*

In August 2018, key management personnel of the Company exercised 300,000 vested stock options under the share purchase option compensation plan and the Company received full consideration of \$15,000. The Company issued 300,000 common shares as a result of the exercise of vested options. The weighted average trading price at the time of exercise was \$0.17.

In July 2019, the Company granted 84,945 stock options to the President and one of the Company's directors at an exercise price of \$0.16 per common share. The options replace previously issued options which expired in July 2019. The options vest as to one-third thereof on each of the six, twelve and eighteen month anniversaries of the date of the grant. The fair value of the stock options granted was estimated to be approximately \$0.16 per option

During the nine month ended September 30, 2019, the Company recognized \$nil of share-based compensation expense for options granted (2018 - \$45,255). Each vesting installment is accounted for as a separate arrangement with the related share-based compensation expensed in a graded vesting method.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following weighted average assumptions:

	<u>2019</u>	<u>2018</u>
Risk-free interest rate	2.20%	2.11%
Dividend yield	Nil	Nil
Expected volatility	138.1%	133.9%
Forfeiture rate	4.46%	6.59%
Expected option life	5 years	5 years

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

8. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions in the normal course of operations at the amount determined and agreed to by the related parties and also considered to be the fair value. There are no repayment terms for these related party transactions:

Related parties

1. Tomahawk Oil and Gas Limited, a private corporation controlled by Richard Kantor, the Company's Chairman and President ("Tomahawk")
2. Richard Kantor, the Company's Chairman and President
3. Glen Oaks Accounting, believed to be a private corporation controlled by Audrey Och, the Company's former Chief Financial Officer ("Glen Oaks")
4. SixWest inc., a private corporation controlled by Jason Hastie, the Company's Chief Financial Officer ("SixWest")

Related party transactions

- a) During the nine months ended September 30, 2019, consulting fees of \$66,000 (2018 - \$119,000), were billed by Tomahawk. In addition, office rent of \$27,000 (2018 - \$27,000) was paid to the Company's Chairman and President during the same period. Included in due to related parties as at September 30, 2019 is \$1,111,706 (December 31, 2018 - \$1,074,946) payable to Tomahawk and \$187,356 to the Company's Chairman and President (December 31, 2018 - \$160,223).
- b) Included in due to related parties as at September 30, 2019 is a disputed claim for USD \$482,213 or \$624,226 (December 31, 2018 - \$545,168), which includes an unrealized foreign exchange loss of \$31,414 recognized for the year ended December 31, 2018
- c) Included in due to related parties as at September 30, 2019 is a disputed claim for \$265,252, for past advances to the Company by Brad Butler, a director of the Company (December 31, 2018 - \$255,402).
- d) Included in due to related parties as at September 30, 2019 is \$47,460, which is an advance to the Company by Frank Sutton, a shareholder of the Company (December 31, 2017 - \$47,460).
- e) Included in due to related parties as at September 30, 2019 is \$7,111, which is expenses incurred on behalf of the Company by Todd Dillabough, a former director of the Company (December 31, 2018 - \$7,111).
- f) During the nine months ended September 30, 2019, accounting fees of \$80,125 were billed by SixWest.

Effective April 1, 2018, Tomahawk's consulting fees were reduced from \$300,000 per annum to \$88,000 per annum and Glen Oaks' accounting fees were reduced from USD \$100,000 per annum to USD \$45,000.

The amounts due to related parties are unsecured non-interest bearing and due on demand.

Key management personal compensation: (1)

The remuneration of Directors, President, CEO and CFO was as follows:

(continues)

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

8. RELATED PARTY TRANSACTIONS *(continued)*

	2019	2018
Consulting fees	\$ 66,000	\$ 119,000
Accounting fees	80,125	61,546
Stock based compensation (2)	-	210,603
	\$ 146,125	\$ 391,149

(1) Key management personnel included directors and officers.

(2) Represents the amortization of share based payments expense associated with the Company's share-based compensation plan granted to key management personnel.

9. LOSS PER SHARE

Basic per share amounts are calculated using the weighted average number of shares outstanding during the nine months ended September 30, 2019 of 52,543,326, (2018 – 48,496,893). In computing diluted per share amounts, none of the Company's options were included as they are anti-dilutive.

10. COMMITMENTS

Pursuant to assessment work commitments, the Company is required to incur certain annual expenditures to ensure the claims remain in good standing. These agreements require the Company to make exploration expenditures, commencing at various anniversary dates of the mining claims, if the claims have not been converted to a mineral lease or put into production. The Ontario Ministry of Northern Development and Mines allows holders of mining claims to bank historical expenditures made by the mining claim holders and apply these against the expenditure requirements mining claim, or contiguous mining claims, in future periods. Should the minimum expenditure requirements not be satisfied and there are no available banked expenditure credit, the holder of a mining claim may apply for a one year extension to meet the applicable expenditure requirements.

The Company has the following minimum requirements with respect to its exploration properties for the next five years:

	Eagle Rock	Plomp Farm	Other Properties
	\$	\$	\$
2019	226,400	-	-
2020	228,200	8,600	4,400
2021	228,200	10,800	5,200
2022	228,200	19,200	6,000
2023	231,800	22,600	6,000

As at December 31, 2018, the Company has \$63,209 \$1,057,703 and \$117,651 of banked expenditure credits which can be used to offset future expenditure requirements against the Eagle Rock property, Plomp Farm property and other properties, respectively

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and due to related parties. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's accounts receivable relates to Goods and Services Tax input tax credits. Accordingly, the Company views credit risk on accounts receivable as minimal. The maximum exposure is the carrying value of cash and cash equivalents and accounts receivable.

The Company held cash and cash equivalents of (\$4,604) at September 30, 2019, which represents its maximum exposure on these assets and is held with credit worthy financial institutions.

(b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company's ability to continue as a going concern is dependent on its ability to obtain additional financing to meet commitments and discharge its liabilities. The requirements to raise funds for general operating activities and current commitments will necessitate raising capital or disposing of assets (Note 2).

As at September 30, 2019, the Company's financial liabilities were comprised of accounts payable and accrued liabilities which have a maturity of less than one year and amounts due to related parties, with no terms of repayment and due on demand (Note 8). The liquidity of the Company is subject to the forbearance of the related parties to which the accounts are due.

(c) Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

(continues)

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

(d) Currency risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the development stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollars. The Company has amounts due to related parties denominated in US dollars and as such are exposed to foreign currency exchange risk related to those transactions.

(e) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollars, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

(f) Fair values

Financial assets and liabilities that are carried at fair value are grouped into three levels based on significant inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date;

Level 2: fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices); and

Level 3: fair value is based on inputs for the asset or liability that are not based on observable market data.

The Company has no financial instruments measured at fair value as at September 30, 2019 and December 31, 2018.

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Nine months ended September 30, 2019 and 2018

12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the exploration of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure which is comprised of working capital and shareholders' equity.

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

The Company's investment policy is to hold excess cash in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended September 30, 2019.