

CHAMPION BEAR RESOURCES LTD.

Financial Statements

Years Ended December 31, 2020 and December 31, 2019



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Independent Auditor's Report

To the Shareholders of Champion Bear Resources Ltd.

Opinion

We have audited the financial statements of Champion Bear Resources Ltd. (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a cumulative net loss of 29,366,512 as at December 31, 2020 and, as of that date, the Company's current liabilities exceeded its total assets by 2,823,426. These events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis for the year ended December 31, 2020.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is John Leavitt.

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
April 30, 2021

CHAMPION BEAR RESOURCES LTD.
Statements of Financial Position
As at December 31, 2020 and 2019

	<i>December 31</i> 2020	<i>December 31</i> 2019
ASSETS		
CURRENT		
Cash and cash equivalent	\$ 3,458	\$ 16,650
GST receivable	-	13,262
Prepaid expenses	-	68,750
	3,458	98,662
PROPERTY, PLANT AND EQUIPMENT <i>(Note 4)</i>	13,460	16,254
EXPLORATION AND EVALUATION ASSETS <i>(Note 5)</i>	4,824,930	4,788,706
TOTAL ASSETS	\$ 4,841,848	\$ 4,903,622
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 454,992	\$ 738,167
Due to related parties <i>(Note 9)</i>	2,371,892	2,425,628
TOTAL LIABILITIES	\$ 2,826,884	\$ 3,163,795
SHAREHOLDERS' EQUITY		
Share capital <i>(Note 7)</i>	26,753,084	26,274,914
Equity reserve	4,628,392	4,482,569
Deficit	(29,366,512)	(29,017,656)
	2,014,964	1,739,827
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 4,841,848	\$ 4,903,622
Going concern <i>(Note 2)</i>		
Commitments <i>(Note 11)</i>		
Subsequent events <i>(Note 14)</i>		

ON BEHALF OF THE BOARD

(signed) "Richard D. Kantor"	Director
(signed) "David R. Haigh"	Director

See accompanying notes to financial statements.

CHAMPION BEAR RESOURCES LTD.
Statements of Comprehensive Loss
Years Ended December 31, 2020 and 2019

	2020	2019
EXPENSES		
Advertising	\$ 74,945	\$ 6,845
Consulting fees (Note 9)	95,110	88,000
Depreciation (Note 4)	2,794	3,262
Interest and bank charges	323	2,438
Office	19,627	61,867
Professional fees (Note 9)	97,720	178,216
Share-based compensation (Note 8)	165,666	336,747
Transfer agent and regulatory	23,106	18,062
Travel	254	9,698
	<u>479,545</u>	<u>705,135</u>
LOSS FROM OPERATIONS	(479,545)	(705,135)
OTHER INCOME (LOSS)		
Other income	25,000	-
Gain on accounts payable settlement (Note 7)	105,689	-
Foreign exchange loss	-	(2,072)
Impairment loss (Note 5)	-	(2,158,697)
	<u>-</u>	<u>(2,158,697)</u>
NET LOSS AND COMPREHENSIVE LOSS	\$ (348,856)	\$ (2,865,904)
LOSS PER SHARE (Note 10)	\$ (0.01)	\$ (0.06)

See accompanying notes to financial statements.

CHAMPION BEAR RESOURCES LTD.
Statements of Change in Shareholders' Equity
Years Ended December 31, 2020 and 2019

	Number of shares	Share Capital	Contributed Surplus	Deficit	Total
As at January 1, 2019	52,243,326	\$ 26,244,914	\$ 4,145,822	\$ (26,151,752)	\$ 4,238,984
Private placement	150,000	30,000	-	-	30,000
Stock options exercised	-	-	-	-	-
Share-based compensation	-	-	336,747	-	336,747
Net Loss	-	-	-	(2,865,904)	(2,865,904)
As at December 31, 2019	52,393,326	\$ 26,274,914	\$ 4,482,569	\$ (29,017,656)	\$ 1,739,827
As at January 1, 2020	52,393,326	\$ 26,274,914	\$ 4,482,569	\$ (29,017,656)	\$ 1,739,827
Shares issued - exploration and evaluation assets	100,000	12,000	-	-	12,000
Stock options exercised	303,698	43,413	(19,843)	-	23,570
Shares-for-debt	3,522,972	422,757	-	-	422,757
Share-based compensation	-	-	165,666	-	165,666
Net Loss	-	-	-	(348,856)	(348,856)
As at December 31, 2020	56,319,996	\$ 26,753,084	\$ 4,628,392	\$ (29,366,512)	\$ 2,014,964

See accompanying notes to financial statements.

CHAMPION BEAR RESOURCES LTD.
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<i>December 31</i> 2020	<i>December 31</i> 2019
OPERATING ACTIVITIES		
Net loss	\$ (348,856)	\$ (2,865,904)
Items not affecting cash:		
Share-based compensation	165,666	336,747
Impairment of exploration and evaluation assets	-	2,158,697
Gain on debt settlement	(105,689)	
Depreciation	2,794	3,262
Unrealized foreign exchange loss	-	2,072
	(286,085)	(365,126)
Changes in non-cash working capital:		
GST receivable	13,262	50,558
Accounts payable and accrued liabilities	2,811	332,919
Prepaid expenses	68,750	(68,750)
Due to related parties	188,724	244,344
	273,547	559,071
Cash generated by (used in) operating activities	(12,538)	193,945
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(1,698)
Exploration and evaluation asset expenditures	(24,224)	(426,344)
Accounts payable and accrued liabilities	-	30,000
Cash used in investing activities	(24,224)	(398,042)
FINANCING ACTIVITIES		
Private placement	-	30,000
Proceeds from options exercised	23,570	-
Cash generated by financing activities	23,570	30,000
DECREASE IN CASH AND CASH EQUIVALENTS	(13,192)	(174,097)
Cash and cash equivalents - beginning of year	16,650	190,747
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,458	\$ 16,650

See accompanying notes to financial statements.

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Years Ended December 31, 2020 and 2019

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 April 30, 2021, the Company's Board of Directors approved these financial statements.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretation made by the International Financial Reporting Standards Interpretation Committee ("IFRIC").

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 December 31, 2020, the Company has incurred cumulative losses of \$29,366,512 and its current liabilities exceed its current assets by \$2,823,426. 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 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 11) 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.

Further, at the present, the global impact of the COVID-19 virus outbreak has resulted in significant declines in global stock markets has created a great deal of uncertainty as to the health of the global economy. As a result, companies are subject to liquidity risks in maintaining their revenues and earnings as well as ongoing and future development and operating expenditure requirements. These factors are likely to have a negative impact on the Company's ability to raise equity, if required, in the near future or on terms favorable to the Company. Impairment indicators for our exploration and evaluation assets could exist in future periods, if current conditions persist. The potential impact that COVID-19 will have on our business or financial results cannot be reasonably estimated at this time. However, any current or future shutdowns requested or mandated by government authorities in response to the outbreak of COVID-19 may have a material impact to the Company's planned operating activities. These material uncertainties would cast significant doubt on the Company's ability to 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.

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Years Ended December 31, 2020 and 2019

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 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%
Mining 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.

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CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Years Ended December 31, 2020 and 2019

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 as development and production assets 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.

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CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Years Ended December 31, 2020 and 2019

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.

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CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Years Ended December 31, 2020 and 2019

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 Company 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.

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CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Years Ended December 31, 2020 and 2019

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

c) Debt investments at FVOCI

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 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.

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CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Years Ended December 31, 2020 and 2019

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") amount.

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.

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

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CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Years Ended December 31, 2020 and 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

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.

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CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Years Ended December 31, 2020 and 2019

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Significant accounting judgments and estimates

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. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these 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.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are as follows:

- **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
Years Ended December 31, 2020 and 2019

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Upcoming accounting pronouncements:

IAS 1 “Presentation of Financial Statements” (“IAS 1”)

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that ‘settlement’ includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument.

The amendments were originally effective for annual reporting periods beginning on or after January 1, 2022. However, in July 2020, the effective date was deferred to annual reporting periods beginning on or after January 1, 2023. The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not believe that the amendments to IAS 1 will have a significant impact.

4. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment \$	Other Equipment \$	Furniture \$	Mining Equipment \$	Trailers \$	Fences \$	Total \$
Cost							
At January 1, 2019	8,513	13,991	16,712	169,508	139,792	27,368	375,884
Additions	1,698	-	-	-	-	-	1,698
At December 31, 2019	10,211	13,991	16,712	169,508	139,792	27,368	377,582
Additions	-	-	-	-	-	-	-
At December 31, 2020	10,211	13,991	16,712	169,508	139,792	27,368	377,582
Accumulated Depreciation							
At January 1, 2019	8,014	13,691	16,079	164,975	136,538	18,769	358,066
Depreciation	506	68	156	176	1,396	960	3,262
At December 31, 2019	8,520	13,759	16,235	165,151	137,934	19,729	361,328
Depreciation	40	72	156	174	1,396	956	2,794
At December 31, 2020	8,560	13,831	16,391	165,325	139,330	20,685	364,122
Net Book Value							
At January 1, 2019	499	300	633	4,533	3,254	8,599	17,818
At December 31, 2019	1,691	232	477	4,357	1,858	7,639	16,254
At December 31, 2020	1,651	160	321	4,183	462	6,683	13,460

CHAMPION BEAR RESOURCES LTD.
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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, 2019	685,056	3,679,009	2,156,994	6,521,059
Additions	24,125	400,516	1,703	426,344
Impairment	-	-	(2,158,697)	(2,158,697)
Balance, December 31, 2019	709,181	4,079,525	-	4,788,706
Additions	3,620	32,604	-	36,224
Balance, December 31, 2020	712,801	4,112,129	-	4,824,930

a) Plomp Farm

The Plomp Farm Gold Properties are an 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 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. Another payment of \$6,000 was made in 2020 and 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. During the year, the Company also issued 100,000 common shares to the Optionor recorded at a market value of \$12,000. When these terms are met, the Company will have earned a 100% in these claims.

c) Parkin Joint Venture

The Parkin Project is an 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. There have not been any recoverable reserves located and valued in the Parkin properties to date along with minimal or no expectations from the operator to allocate further funds for future drilling and development, therefore in 2019 it was estimated that the recoverable amount in this asset is \$ nil and therefore an impairment loss of \$2,158,697 was recorded and the current carrying amount was recorded as \$ nil.

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 December 31, 2020 is \$ nil (2019 - \$ 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
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6. INCOME TAXES

a) Tax provision:

The Company's computation of deferred income tax (reduction) provision differs from that which would be expected by applying statutory rates is as follows:

	2020	2019
Net loss before taxes	\$ (348,856)	\$ (2,865,904)
Combined federal and provincial income tax	24.0%	23.0%
Expected income tax expense (recovery)	(83,726)	(659,158)
Share-based compensation	39,760	77,452
Non-deductible expenses and other	-	90
Change in unrecognized deferred tax assets	(393,839)	(68,055)
Change in rate	437,805	649,671
	\$ -	\$ -

b) Unrecognized deferred tax assets:

The Company's deferred tax assets have not been recognized in respect of the following temporary differences:

	2020	2019
Non-capital loss carry-forwards	\$ 1,364,910	\$ 1,550,787
Capital losses	7,950	9,333
Share issue costs	-	1,006
Mineral properties and property equipment	1,183,582	1,389,156
	\$ 2,556,442	\$ 2,950,282

As at December 31, 2020, the Company has approximately \$11.2 million in tax pools and \$5.9 million in non-capital losses available for deductions against future taxable income. The non-capital losses expire as follows:

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CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
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6. INCOME TAXES (*continued*)

	Amount
2026	\$ 427,691
2027	461,869
2028	560,370
2029	340,533
2030	325,712
2031	173,127
2032	319,726
2033	378,651
2034	422,730
2035	438,592
2036	385,229
2037	556,317
2038	464,018
2039	511,202
2040	185,931
	<u>\$ 5,951,698</u>

CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
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7. 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

	2020		2019	
	Shares	Amount	Shares	Amount
Common shares issued				
Beginning of the year	52,393,326	\$ 26,274,914	52,243,326	\$ 26,244,914
Private placement of common shares (iv)	-	-	150,000	30,000
Exercise of stock options (i)	303,698	43,413	-	-
Shares-for-Debt (ii)	3,522,972	422,757	-	-
Shares issued - exploration and evaluation assets (iii)	100,000	12,000	-	-
End of the year	56,319,996	\$ 26,753,084	52,393,326	\$ 26,274,914

- i) In January 2020, 303,698 common shares were issued to key management personnel of the Company at a weighted average of \$0.08 per share as a result of the exercise of vested options.
- ii) In April 2020, the Company settled \$422,757 of debt by issuing 3,522,972 common shares at a price of \$0.12 per common shares to eight creditors of the Company, including 2,206,232 common shares to related parties including Board members and the Company's Chief Financial Officer. This transaction resulted in a gain on settlement of \$105,689.
- iii) In March 2020, the Company issued 100,000 common shares, recorded at their market value of \$12,000, in connection with the acquisition of the Eagle Rock property.
- iv) 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 proceeds of \$30,000.

CHAMPION BEAR RESOURCES LTD.
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8. SHARE PURCHASE OPTION COMPENSATION PLAN

The Company has a stock option plan, administered by the Board of Directors, pursuant to which up to 10% of outstanding common shares (5,269,702 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:

	Weighted Average Exercise Price December 31, 2020	Weighted Average Exercise Price December 31, 2019
	Number	Number
Outstanding at beginning of period	5,239,333	4,322,684
Granted	588,698	2,878,687
Exercised	(303,698)	-
Expired	(285,000)	(1,962,038)
Outstanding at end of year	5,239,333	5,239,333

The following summarizes information about stock options outstanding and exercisable as of December 31, 2020:

Exercise price	Number outstanding	Weighted- Average Remaining Contractual Life (years)	Number Exercisable
0.16	84,945	3.52	56,630
0.10	133,698	0.75	133,698
0.17	403,250	1.02	403,250
0.12	588,698	4.24	196,233
0.15	725,000	2.27	725,000
0.18	3,303,742	3.10	3,303,742
Total	5,239,333	2.65	4,818,553

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CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
Years Ended December 31, 2020 and 2019

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

In June 2019, the Company granted 2,793,742 stock options at an exercise price of \$0.18 per common share to the President of the Company, the Chief Financial Officer, the Company's directors and one consultant. 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 \$0.18 per option.

In July 2019, the Company granted 84,945 stock options to the President of the Company at an exercise price of \$0.16 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 \$0.16 per option.

On January 8, 2020, the Company's President exercised 170,000 options and 133,698 options to acquire common shares of the Company at prices of \$0.06 per share and \$0.10 per share, respectively.

On March 8, 2020, 285,000 options of the Company's President and a Director expired at an exercise price of \$0.13 per common share.

On March 27, 2020, the Company granted options to acquire an aggregate of 588,698 common shares to the Company's President and a Director at an exercise price of \$0.12 per common share with an expiry date of March 27, 2025. 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 stock options granted was estimated to be approximately \$0.11 per option.

For the year, the Company recognized \$165,666 of share-based compensation expense for options granted (2019 - \$336,747). 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 for 2020 using the following weighted average assumptions:

	2020	2019
Risk-free interest rate	0.62%	1.32% - 1.56%
Dividend yield	Nil	Nil
Expected volatility	145.1%	143.3%
Forfeiture rate	11.45%	16.66%
Expected option life	5 years	5 years

CHAMPION BEAR RESOURCES LTD.
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9. 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.

- a) During the year ended December 31, 2020, consulting fees of \$88,000 (2019 - \$88,000), were billed by Tomahawk Oil and Gas Limited ("Tomahawk"), a private corporation controlled by the Company's Chairman and President. In addition, office rent of \$36,000 (2019 - \$36,000) was incurred and payable to the Company's Chairman and President during the same period. Included in due to related parties as at December 31, 2020 is \$1,239,478 (December 31, 2019 - \$1,147,078) payable to Tomahawk and \$106,304 to the Company's Chairman and President (December 31, 2019 - \$226,121). In October 2020, these amounts will be deferred until such time as the 30-day volume weighted average trading price of the Company's common shares is at least \$2.00 per share. The debt will be repayable at the sole election of the Company, through the approval of its Board of Directors. This will be based on the Company's ability to pay such debts without impairing the liquidity or solvency of the next year of operations. The Company's Chairman and President has recused himself from voting.
- b) Included in due to related parties as at December 31, 2020 is a disputed claim for USD \$482,213 or \$626,297 (December 31, 2019 - \$626,297) owing to Glen Oaks Accounting, a private corporation controlled by the Company's former Chief Financial Officer, which includes an unrealized foreign exchange loss of \$nil recognized for the year ended December 31, 2020 (2019 - \$2,072).
- c) Included in due to related parties as at December 31, 2020 is a disputed claim for \$265,252, for past advances to the Company by Brad Butler, a director of the Company (December 31, 2019 - \$265,252).
- d) Included in due to related parties as at December 31, 2020 is \$12,500, which is an advance to the Company by David Haigh, a director and shareholder of the Company.
- e) Included in due to related parties as at December 31, 2020 is \$31,250, which is an advance to the Company by Frank Sutton, a shareholder of the Company (December 31, 2019 - \$65,460). Shares were issued for the prior year debt in April 22, 2020.
- f) Included in due to related parties as at December 31, 2020 is \$7,111, which is expenses incurred on behalf of the Company by Todd Dillabough, a former director of the Company (December 31, 2019 - \$7,111).
- g) During the year ended December 31, 2020, accounting fees of \$48,840 (2019 - \$90,895), were billed by SixWest inc., a private corporation controlled by the Company's Chief Financial Officer. Included in due to related parties as at December 31, 2020 is \$80,079 (December 31, 2019 - \$70,797) payable to SixWest inc. Shares were issued for a portion of the prior year debt in April 22, 2020.
- h) During the year ended December 31, 2020, consulting fees of \$7,110 (2019 - \$23,252), were billed by Jessica Borysenko, a member of the Board. Included in due to related parties as at December 31, 2020 is \$nil (December 31, 2019 - \$9,492) payable to Jessica Borysenko. Shares were issued for the prior year debt in April 22, 2020. Jessica Borysenko resigned as a Director on June 6, 2020.
- i) During the year ended December 31, 2020, reimbursable expenses of \$3,620 (2019 - \$10,229), were billed by Fred Plomp, a member of the Board. Included in due to related parties as at December 31, 2020 is \$3,620 (December 31, 2019 - \$8,019) payable to Fred Plomp. Shares were issued for the prior year debt in April 22, 2020.

The amounts due to related parties are unsecured non-interest bearing and due on demand, except as otherwise disclosed.

Key management personal compensation: ⁽¹⁾

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

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CHAMPION BEAR RESOURCES LTD.
Notes to Financial Statements
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9. RELATED PARTY TRANSACTIONS *(continued)*

	2020	2019
Consulting fees	\$ 88,000	\$ 88,000
Accounting fees	\$ 48,840	\$ 90,895
Stock-based compensation ⁽²⁾	\$ 192,743	\$ 336,747
	\$ 329,583	\$ 515,642

⁽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.

10. LOSS PER SHARE

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year ended December 31, 2020 of 55,171,507, (2019 – 52,393,326). In computing diluted per share amounts, none of the Company's options were included as they are anti-dilutive.

11. 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
2021	147,600	4,200
2022	147,600	15,000
2023	157,200	21,600
2024	157,200	21,600
2025	157,200	21,600

As at December 31, 2020, the Company has \$832,128, \$779,129 and \$262,451 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
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12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, 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 \$3,458 at December 31, 2020, 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 December 31, 2020, 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. Amounts owing to the Company's President and Chairman and a private company controlled by him are not due until such time as the 30-day volume weighted average trading price of the Company's common shares is at least \$2.00 per share (Note 9). The liquidity of the Company is subject to the forbearance of the related parties to which the accounts are due.

The current challenging economic climate may lead to adverse changes in cash flow or working capital level, which may have a direct impact on the Company's results and financial position. These are other factors which may adversely affect the Company's liquidity and the Company's ability to generate profits in the future.

(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.

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CHAMPION BEAR RESOURCES LTD.
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12. 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 exploration 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 December 31, 2020 and December 31, 2019.

CHAMPION BEAR RESOURCES LTD.
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13. 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 December 31, 2020.

14. SUBSEQUENT EVENTS

On January 13, 2021, the Company's President exercised 170,000 options to acquire common shares of the Company at a price of \$0.06 per share.

On January 19, 2021, a director of the Company exercised 100,000 options to acquire common shares of the Company at a price of \$0.06 per share.

On February 23, 2021, the Company granted options to acquire an aggregate of 300,000 common shares to directors of the Company at an exercise price of \$0.20 per share.