

**CHAMPION BEAR RESOURCES LTD.**  
**Financial Statements**  
**Years Ended December 31, 2022 and December 31, 2021**  
**(Expressed in Canadian Dollars)**

## Independent Auditors' 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, 2022 and 2021 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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### 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 Auditors' 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 to the financial statements which indicates that at December 31, 2022 the Company had a deficit of \$29,965,556. This condition, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section of our report, we have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

### Assessment of impairment indicators of mineral properties

#### *Description of the matter:*

As reported in the statement of financial position and Note 5, on December 31, 2022, the total book value of exploration and evaluation assets amounted to \$4,992,082. As indicated in Note 3, exploration and evaluation assets are initially recorded at cost and any additional expenditures are capitalized in accordance with the Company's accounting policy. At each reporting period, Management assesses the exploration and evaluation assets for indicators of impairment. This assessment would include considering whether a) the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of resources and the Company has decided to discontinue such activities in the specific area; and d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the asset is unlikely to be recovered in full from successful development or by sale.

#### *Why the matter is a key audit matter:*

We determined that this is a key audit matter due to the judgement involved in the assessment of indicators of impairment and the significance of the balance of exploration and evaluation assets.

## Independent Auditors' Report (continued)

### *How the matter was addressed in the audit:*

We obtained a claims listing, including expiration dates, and agreed such information to government agency websites. We assessed whether substantive expenditures on further exploration is budgeted through reading Board of Directors' minutes and obtained Management's long term plans for the properties. We assessed the results of activities completed by the Company up to the reporting date and considered evidence obtained in other areas of the audit.

### Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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 Management's Discussion and Analysis prior to the date of this auditors' 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 auditors' 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 International Financial Reporting Standards, 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.

### Auditors' 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 auditors' 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 judgement 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 auditors' 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 auditors' 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.

## Independent Auditors' Report (continued)

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 Auditors' report is Kevin B. Napady, CPA, CA.

Handwritten signature in black ink, reading "Kenney Mack Susarchuk Stewart LLP".

April 28, 2023  
Calgary, Alberta

Chartered Professional Accountants

**CHAMPION BEAR RESOURCES LTD.****Statements of Financial Position****As at December 31, 2022 and 2021**

	<i>December 31</i> <b>2022</b>	<i>December 31</i> 2021
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 5,085	\$ 631
GST receivable	1,961	10,759
Prepaid expenses	10,000	-
	<b>17,046</b>	11,390
PROPERTY AND EQUIPMENT <i>(Note 4)</i>	10,200	10,665
EXPLORATION AND EVALUATION ASSETS <i>(Note 5)</i>	4,992,082	4,880,623
<b>TOTAL ASSETS</b>	<b>\$ 5,019,328</b>	<b>\$ 4,902,678</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 94,486	\$ 442,228
Accrued liabilities for disputed claims <i>(Note 9)</i>	898,660	898,660
Due to related parties <i>(Note 10)</i>	1,844,318	1,805,398
	<b>2,837,464</b>	3,146,286
NOTE PAYABLE <i>(Note 15)</i>	300,759	-
<b>TOTAL LIABILITIES</b>	<b>\$ 3,138,223</b>	<b>\$ 3,146,286</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital <i>(Note 7)</i>	\$ 27,252,924	\$ 26,803,089
Equity reserve	4,593,737	4,657,499
Deficit	(29,965,556)	(29,704,196)
	<b>1,881,105</b>	1,756,392
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 5,019,328</b>	<b>\$ 4,902,678</b>

Going concern *(Note 2)*Commitments *(Note 12)*Subsequent events *(Note 16)***ON BEHALF OF THE BOARD**

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(signed) "Richard D. Kantor" *Director*

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(signed) "David R. Haigh" *Director*

See accompanying notes to financial statements.

**CHAMPION BEAR RESOURCES LTD.**  
**Statements of Comprehensive Loss**  
**Years Ended December 31, 2022 and 2021**

	<i>December 31</i>	<i>December 31</i>
	<b>2022</b>	<b>2021</b>
<b>EXPENSES</b>		
Professional fees <i>(Note 10)</i>	\$ 107,881	\$ 119,827
Consulting fees <i>(Note 10)</i>	88,000	88,000
Office	38,793	49,978
Transfer agent and regulatory	17,122	19,510
Share-based compensation <i>(Note 8)</i>	8,954	52,713
Depreciation <i>(Note 4)</i>	465	2,794
Interest and bank charges	120	14,172
Travel	25	1,340
Advertising	-	14,350
	<b>261,360</b>	362,684
<b>LOSS FROM OPERATIONS</b>	<b>(261,360)</b>	<b>(362,684)</b>
<b>OTHER INCOME</b>	-	25,000
	<b>\$ (261,360)</b>	<b>\$ (337,684)</b>
<b>NET LOSS</b>	<b>\$ (261,360)</b>	<b>\$ (337,684)</b>
<b>LOSS PER SHARE <i>(Note 11)</i></b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>

See accompanying notes to financial statements.

**CHAMPION BEAR RESOURCES LTD.**  
**Statements of Change in Shareholders' Equity**  
**Years Ended December 31, 2022 and 2021**

	Number of shares	Share Capital	Equity Reserve	Deficit	Total
<b>As at January 1, 2021</b>	56,319,996	\$ 26,753,084	\$ 4,628,392	\$ (29,366,512)	<b>\$ 2,014,964</b>
Stock options exercised	270,000	50,005	(23,606)	-	<b>26,399</b>
Share-based compensation	-	-	52,713	-	<b>52,713</b>
Net Loss	-	-	-	(337,684)	<b>(337,684)</b>
<b>As at December 31, 2021</b>	<b>56,589,996</b>	<b>\$ 26,803,089</b>	<b>\$ 4,657,499</b>	<b>\$ (29,704,196)</b>	<b>\$ 1,756,392</b>
<b>As at January 1, 2022</b>	56,589,996	\$ 26,803,089	\$ 4,657,499	\$ (29,704,196)	<b>\$ 1,756,392</b>
Shares issued					
- private placement	781,609	85,000	-	-	<b>85,000</b>
- exploration and evaluation assets	400,000	43,500	-	-	<b>43,500</b>
Stock options exercised	510,000	164,516	(72,716)	-	<b>91,800</b>
Shares-for-debt	1,568,193	156,819	-	-	<b>156,819</b>
Share-based compensation	-	-	8,954	-	<b>8,954</b>
Net Loss	-	-	-	(261,360)	<b>(261,360)</b>
<b>As at December 31, 2022</b>	<b>59,849,798</b>	<b>\$ 27,252,924</b>	<b>\$ 4,593,737</b>	<b>\$ (29,965,556)</b>	<b>\$ 1,881,105</b>

See accompanying notes to financial statements.

**CHAMPION BEAR RESOURCES LTD.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	<i>December 31</i> <b>2022</b>	<i>December 31</i> 2021
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (261,360)	\$ (337,684)
Items not affecting cash:		
Share-based compensation	8,954	52,713
Depreciation	465	2,794
Changes in non-cash working capital:		
GST receivable	8,798	(10,759)
Accounts payable and accrued liabilities	(1,533)	(12,765)
Prepaid expenses	(10,000)	-
	<u>(2,736)</u>	<u>(23,524)</u>
Cash generated by (used in) operating activities	<u>(254,677)</u>	<u>(305,700)</u>
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation asset expenditures	<u>(67,959)</u>	<u>(55,693)</u>
Cash used in investing activities	<u>(67,959)</u>	<u>(55,693)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from options exercised	-	26,400
Advances from related parties	361,440	378,566
Repayments to related parties	<u>(34,350)</u>	<u>(46,400)</u>
Cash generated by financing activities	<u>327,090</u>	<u>358,566</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>4,454</b>	<b>(2,827)</b>
Cash - beginning of year	<u>631</u>	<u>3,458</u>
<b>CASH - END OF YEAR</b>	<b>\$ 5,085</b>	<b>\$ 631</b>

See accompanying notes to financial statements.

**CHAMPION BEAR RESOURCES LTD.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2022 and 2021**

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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 28, 2023, 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”).

Basis of measurement and presentation

These financial statements have been prepared on a historical cost basis except for financial instruments classified as at fair value through profit or loss which are stated at their fair value.

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, 2022, the Company has incurred cumulative losses of \$29,965,556 and its current liabilities exceed its current assets by \$2,820,419. 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 12) 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.

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, 2022 and 2021**

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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.

Foreign currency translation

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

Transactions 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 and equipment

Property 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 and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment.

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**CHAMPION BEAR RESOURCES LTD.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2022 and 2021**

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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 and equipment as development and production assets and assessed for impairment. Subsequent development expenditures are capitalized as property 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 reserve, 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 equity reserve 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, 2022 and 2021**

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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, 2022 and 2021**

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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, 2022 and 2021**

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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, accrued liabilities for disputed claims, due to related parties and note payable 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, 2022 and 2021**

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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.

*(continues)*

**CHAMPION BEAR RESOURCES LTD.**  
**Notes to Financial Statements**  
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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.

*(continues)*

**CHAMPION BEAR RESOURCES LTD.**  
**Notes to Financial Statements**  
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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 significant accounting judgement and estimation 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 significant accounting 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 an 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**

Significant accounting 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.**  
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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 AND EQUIPMENT

	Computer Equipment \$	Other Equipment \$	Furniture \$	Mining Equipment \$	Building and Trailers \$	Fences \$	Total \$
<b>Cost</b>							
At January 1, 2021	10,211	13,991	16,712	169,508	139,792	27,368	<b>377,582</b>
Additions	-	-	-	-	-	-	-
At December 31, 2021	10,211	13,991	16,712	169,508	139,792	27,368	<b>377,582</b>
Additions	-	-	-	-	-	-	-
At December 31, 2022	10,211	13,991	16,712	169,508	139,792	27,368	<b>377,582</b>
<b>Accumulated Depreciation</b>							
At January 1, 2021	8,560	13,831	16,391	165,325	139,330	20,685	<b>364,122</b>
Depreciation	40	72	156	175	1,396	956	<b>2,795</b>
At December 31, 2021	8,600	13,903	16,547	165,500	140,726	21,641	<b>366,917</b>
Depreciation	40	72	156	175	(934)	956	<b>465</b>
At December 31, 2022	8,640	13,975	16,703	165,675	139,792	22,597	<b>367,382</b>
<b>Net Book Value</b>							
At January 1, 2021	1,651	160	321	4,183	462	6,683	<b>13,460</b>
At December 31, 2021	1,611	88	165	4,008	(934)	5,727	<b>10,665</b>
<b>At December 31, 2022</b>	<b>1,571</b>	<b>16</b>	<b>9</b>	<b>3,833</b>	<b>-</b>	<b>4,771</b>	<b>10,200</b>

**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	Other	Total
	\$	\$	\$	\$
Balance, January 1, 2021	712,801	4,112,129	-	<b>4,824,930</b>
Additions	-	55,693	-	<b>55,693</b>
Balance, December 31, 2021	712,801	4,167,822	-	<b>4,880,623</b>
Additions	3,854	106,805	800	<b>111,459</b>
<b>Balance, December 31, 2022</b>	<b>716,655</b>	<b>4,274,627</b>	<b>800</b>	<b>4,992,082</b>

a) Plomp Farm

The Plomp Farm Gold Properties are an exploration project located 20 kilometres west of Dryden, Ontario and consist of 48 claims covering 2,400 acres, owned 100% by the Company and subject to certain Back-in-Rights on a portion of those claims and a 2.0% NSR granted to Teck Cominco Limited (TCL) (now Teck Resources Limited). TCL can earn back in up to a 65% interest and a further 5% to a total of 70% interest if certain conditions are met. The Company has the right to purchase 1% of the NSR following the expiry of TCL's Back-in-Right for \$1.0million.

b) Eagle Rock

The Eagle Rock Property is an exploration project located 65 kilometres south of Dryden, Ontario and consists of 32,850 acres comprised of 458 staked claims held 100% by the Company and its officers, 58 claims under option to Gravel Ridge Resources and 1544230 Ontario Inc., and 17 claims under option from 1544230 Ontario Inc.

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. Additional payments of \$6,000 were made in 2020, \$12,000 on the first anniversary, and \$16,000 on the second anniversary. A payment of \$25,000 was made in 2022, on the third anniversary. There is a 1.5% NSR Option to buy back for \$1,000,000. In 2020, the Company also issued 100,000 common shares to the Optionor recorded at a market value of \$12,000. These terms have been met, and the Company has earned 100% in these claims.

On November 12, 2021, the Company made a payment of \$20,000 and agreed to apply to the TSX Venture Exchange for permission to issue 400,000 shares, relating to the agreement to purchase a 100% interest in the claims held by 1544230 Ontario Inc. and Gravel Ridge Resources Ltd. A payment of \$24,000 was made in 2022, on the first anniversary and further payments of \$24,000 on the second anniversary, and \$24,000 on the third anniversary and \$24,000 on the fourth anniversary are intended. There is a 0.5% NSR Option to buy back for \$1,000,000. When these terms are met, the Company will have earned a 100% in these claims. On July 21, 2022, the TSX Venture Exchange conditionally approved an issuance of 400,000 common shares at \$0.10875 relating to the Eagle Rock property.

*(continues)*

**CHAMPION BEAR RESOURCES LTD.**  
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c) Parkin Joint Venture

The Parkin Joint Venture Project is an exploration project located 5 kilometres northeast of the Sudbury Basin comprised of 29 claims (2,850 acres) 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 the current carrying amount is recorded as \$nil. The Company continues to press the operator to provide a suitable budget and drilling program and will re-visit this assessment when that occurs.

d) Other Mineral Interests

The Company's Separation Rapids lithium and tantalum property is located 55 km north of Kenora, northwest Ontario. The property consists of 8 mining claims in 2 blocks covering 400 acres. The carrying value of this property at December 31, 2022 is \$800 (2021 - \$ nil).

The Company also holds a 50% interest in 20 active claims covering 2,250 acres in Ermatinger Township north of Sudbury. There have not been any recoverable reserves located and valued in the Ermatinger Property to-date along with minimal or no expectations from the operator to allocate further funds for future exploration, drilling or development.

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:

	2022	2021
Net loss before taxes	\$ (261,360)	\$ (337,684)
Combined federal and provincial income tax	23.0%	23.0%
Expected income tax expense (recovery)	(60,113)	(77,667)
Share-based compensation	2,059	12,124
Change in rate		112,956
Change in unrecognized deferred tax assets	(58,054)	(47,413)
	\$ -	\$ -

*(continues)*

**CHAMPION BEAR RESOURCES LTD.**  
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6. INCOME TAXES *(continued)*

**b) Unrecognized deferred tax assets:**

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

	2022	2021
Non-capital loss carry-forwards	\$ 1,765,040	\$ 1,609,118
Capital losses	15,901	15,901
Mineral properties and property equipment	946,838	1,044,706
	<u>\$ 2,727,779</u>	<u>\$ 2,669,725</u>

As at December 31, 2022, the Company has approximately \$10.1 million in tax pools and \$7.7 million in non-capital losses available for deductions against future taxable income. The non-capital losses expire as follows:

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	514,927
2040	311,086
2041	915,587
2042	677,921
	<u>\$ 7,674,086</u>

**CHAMPION BEAR RESOURCES LTD.**  
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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

	2022		2021	
	Shares	Amount	Shares	Amount
<b>Common shares issued</b>				
Beginning of the year	56,589,996	\$ 26,803,089	56,319,996	\$ 26,753,084
Exercise of stock options (i)	510,000	164,516	270,000	50,005
Shares-for-Debt (ii)	1,568,193	156,819	-	-
Private placement of common shares	781,609	85,000	-	-
Shares issued - exploration and evaluation assets (iv)	400,000	43,500	-	-
End of the year	<b>59,849,798</b>	<b>\$ 27,252,924</b>	56,589,996	\$ 26,803,089

- i) On January 13, 2021, the Company's President exercised 170,000 options to acquire common shares of the Company at a price of \$0.12 per share. On January 17, 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 December 22, 2022, the Company's President exercised 510,000 options to acquire common shares of the Company at \$0.18 per share.
- ii) On November 29, 2021, the Company announced that it has filed a shares-for-debt application with the TSX Venture Exchange to satisfy an aggregate of \$156,819.30 of Champion Bear's outstanding debt for an aggregate of 1,568,193 common shares of the Corporation. On April 22, 2022, the application was satisfied.
- iii) In November 2021, the Company applied for TSX approval to issue 850,000 common shares relating to the \$85,000 private placement from John Squarek, a director of the Company. On July 21, 2022, the TSX approved with a revised amount of \$0.10875 per share and a total of 781,609 shares. On September 14, 2022, this private placement was completed.
- iv) On November 12, 2021, the Company agreed to apply to the TSX Venture Exchange for permission to issue 400,000 shares, relating to the agreement to purchase a 100% interest in the claims held by 1544230 Ontario Inc. and Gravel Ridge Resources Ltd. relating to the Eagle Rock property (see note 5(b)). On July 21, 2022 the TSX Venture Exchange conditionally approved the issuance of 400,000 shares at \$0.10875.

**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 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 December 31, 2022	Number	Weighted Average Exercise Price December 31, 2021
Outstanding at beginning of year	4,635,635	\$ 0.17	4,739,333	\$ 0.16
Granted	-	-	300,000	0.20
Exercised	(510,000)	0.18	(270,000)	0.10
Expired	(403,250)	0.17	(133,698)	0.10
Outstanding at end of year	<u>3,722,385</u>	<u>\$ 0.17</u>	<u>4,635,635</u>	<u>\$ 0.17</u>
Exercisable at end of year	<u>3,722,385</u>	<u>\$ 0.17</u>	<u>4,435,635</u>	<u>\$ 0.17</u>

The following summarizes information about stock options outstanding and exercisable as of December 31, 2022:

Exercise price	Number outstanding	Weighted- Average Remaining Contractual Life (years)	Number Exercisable
0.16	84,945	1.52	84,945
0.12	418,698	2.24	418,698
0.15	600,000	0.27	600,000
0.18	2,318,742	1.46	2,318,742
0.20	300,000	3.15	300,000
Total	<u>3,722,385</u>	<u>1.49</u>	<u>3,722,385</u>

*(continues)*

**CHAMPION BEAR RESOURCES LTD.**  
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8. SHARE PURCHASE OPTION COMPENSATION PLAN *(continued)*

On December 22, 2022, the Company's President exercised 510,000 options to acquire common shares of the Company at \$0.18 per share.

On January 13, 2021, the Company's President exercised 170,000 options to acquire common shares of the Company at \$0.12 per share.

On January 17, 2021, a director of the Company exercised 100,000 options to acquire common shares of the Company at \$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 common share with an expiry date of February 23, 2026. The options vest as to one-third thereof on each of the six, twelve and eighteen month anniversaries of the date of the grant.

For the Year Ended December 31, 2022, the Company recognized \$8,954 of share-based compensation expense for options granted in 2021 (2021 - \$52,713). 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 2021 using the following weighted average assumptions:

	<u>2021</u>
Risk-free interest rate	0.670%
Dividend yield	Nil
Expected volatility	143.4%
Forfeiture rate	10.83%
Expected option life	5 years

9. CONTINGENCY

The Company has been named as a defendant in a statement of claim filed on July 31, 2019 at the Court of Queens's Bench of Alberta. The plaintiffs, Audrey Och, the Company's former Chief Financial Officer, and Brad Butler, a former director of the Company, are seeking USD \$482,213 (\$626,297 CAD) and \$265,252 CAD for alleged loans and unpaid compensation. The financial statements include a provision for disputed amounts totalling \$891,549. Management filed a statement of defense and counterclaim on August 20, 2019 and as amended October 18, 2021. The counterclaim identified Todd Dillabough, a former director of the Company, as a defendant in the counterclaim. The counterclaim against the plaintiffs and other non-arm's length parties seeks damages estimated at \$350,000, or an amount to be determined at trial. As the outcome of this lawsuit and any liability to the Company cannot be reasonably determined at this time, no additional provisions have been made in the financial statements.

Also included in the provision for amounts under dispute is \$7,111 related to expenses allegedly advanced to the Company by Todd Dillabough in the period prior to 2019.

**CHAMPION BEAR RESOURCES LTD.**  
**Notes to Financial Statements**  
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10. DUE TO RELATED PARTY TRANSACTIONS

Related party transactions and related party balances

During the year, the Company had the following related party transactions:

- a) Consulting fees of \$88,000 (2021 - \$88,000), were billed by Tomahawk Oil and Gas Limited (“Tomahawk”), a private corporation controlled by the Company’s Chairman and President and CEO, Richard Kantor. In addition, office rent of \$36,000 (2021 - \$36,000) was incurred and payable to Richard Kantor during the same period. Included in due to related parties as at December 31, 2022 is \$1,422,359 (December 31, 2021 - \$1,329,960) payable to Tomahawk and \$95,750 to Richard Kantor (December 31, 2021 - \$151,550).

On September 30, 2020, the Company entered into an agreement with Tomahawk and Richard Kantor to defer the payment of amounts payable of \$1,213,078 and \$215,242, respectively, until such time as the 30-day volume weighted average trading price of the Company’s common shares is at least \$2.00 per common share. This agreement was cancelled on December 13, 2022.

- b) Professional fees of \$54,900 (2021 - \$59,150), were billed by SixWest inc., a private corporation controlled by the Company’s Chief Financial Officer, Jason Hastie. Included in due to related parties as at December 31, 2022 is \$133,813 (2021 - \$141,168) payable to SixWest inc.
- c) John Squarek, a director of the Company, advanced funds of \$137,189 (2021 - \$122,000) to the Company, which is subject to an annual interest rate of prime plus 2%. \$85,000 was settled as a private placement on September 14, 2022. Included in due to related parties as at December 31, 2022 is \$174,189 (2021 - \$122,000).
- d) Mike Sweeny, a director of the Company, advanced funds of \$nil (2021 - \$19,350) to the Company in relation to claim filing expenses with regard to the Eagle Rock property. On April 19, 2022 the Company repaid the advances and the 1% interest in the Eagle Rock holdings, held as security, reverted back to the Company. Included in due to related parties as at December 31, 2022 is \$nil (2021 - \$19,350).
- e) Included in due to related parties at December 31, 2022 is an amount of \$14,353 due to David Haigh, a director of the Company.
- f) Included in due to related parties as at December 31, 2022 is \$nil, which is an advance to the Company by Frank R. Sutton Investments Ltd., a company controlled by Frank Sutton, a shareholder of the Company (2021 - \$31,250).

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

*(continues)*

**CHAMPION BEAR RESOURCES LTD.**  
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10. RELATED PARTY TRANSACTIONS *(continued)*

Key management personal compensation:

The Company defines key management as the Company's directors, president and CEO and CFO.

	2022	2021
Consulting fees	\$ 88,000	\$ 88,000
Professional fees	\$ 54,900	\$ 59,150
Stock-based compensation	\$ 8,954	\$ 52,713
	<b>\$ 151,854</b>	<b>\$ 199,863</b>

11. LOSS PER SHARE

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year ended December 31, 2022 of 58,222,937, (2021 – 56,454,996). In computing diluted per share amounts, none of the Company's options were included as they are anti-dilutive.

12. 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
2023	171,200	400
2024	215,600	13,600
2025	215,600	13,600
2026	215,600	13,600
2027	215,600	13,600

As at December 31, 2022, the Company had \$343,099, \$361,918 and \$25,328 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.**  
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13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments include cash, accounts payable and accrued liabilities, accrued liabilities for disputed claims, due to related parties and note payable. 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 held cash of \$5,085 at December 31, 2022, 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, 2022, 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, and the note payable due after January 31, 2024.

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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13. 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 denominated in US dollars included in the provision for amounts under dispute 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, 2022 and December 31, 2021.

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14. 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, 2022.

15. Note Payable

During the year, the Company established a note agreement with a Creditor of the company for \$300,759 that was previously classified within accounts payable and accrued liabilities. The note is unsecured, non-interest bearing, and the creditor waived the right to request repayment before January 31, 2024.

16. SUBSEQUENT EVENTS

On February 7, 2023, the Company's President exercised 600,000 options to acquire common shares of the Company at a price of \$0.15 per share.