

GREAT BEAR RESOURCES LTD.

Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2020

(Unaudited - Expressed in Canadian Dollars)

Notice of Non-review of Condensed Interim Consolidated Financial Statements

In accordance with National Instrument 51-102 Continuous Disclosure Obligations of the Canadian Securities Administrators, notice is given that the attached condensed interim consolidated financial statements for the six-month period ended June 30, 2020 have not been reviewed by the Company's auditors.

GREAT BEAR RESOURCES LTD.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	June 30, 2020	December 31, 2019
ASSETS:			
Current assets			
Cash		\$ 48,935,784	\$ 28,515,877
Investments in equity instruments	4,5	342,500	1,208,566
Receivables	6	62,625	8,023
GST receivable	6	647,153	525,412
Prepaid expenses		148,350	226,141
Total current assets		50,136,412	30,484,019
Exploration and evaluation assets	7	31,620,975	19,028,086
Total assets		\$ 81,757,387	\$ 49,512,105
LIABILITIES:			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 2,177,413	\$ 1,421,513
Flow-through premium liability	9	11,393,423	4,766,849
		13,570,836	6,188,362
EQUITY:			
Share capital	10	81,174,106	55,559,573
Equity reserves	10	19,033,408	11,894,093
Accumulated other comprehensive income (AOCI)	5	(34,600)	166,928
Deficit		(31,986,363)	(24,296,851)
Total equity		68,186,551	43,323,743
Total liabilities and equity		\$ 81,757,387	\$ 49,512,105

Nature and Continuance of Operations (Note 1)
Commitments (Note 13)
Subsequent Events (Note 16)

Approved and authorized for issue by the Board of Directors on August 20, 2020.

"Doug Ramshaw" Director

"David Terry" Director

- The accompanying notes are an integral part of these consolidated financial statements -

GREAT BEAR RESOURCES LTD.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		Three months ended June 30,		Six months ended June 30,	
	Note	2020	2019	2020	2019
Expenses:					
Consulting		\$ 213,000	\$ 206,592	\$ 285,158	\$ 267,092
Director Fees	11	16,000	15,000	31,000	30,000
Management fees	11	320,500	290,500	458,000	354,000
Office and administration		23,389	120,322	132,489	223,215
Professional fees		337,737	49,998	513,748	83,308
Rent		15,465	9,835	31,610	18,505
Share-based compensation	10,11	2,279,234	-	7,187,946	1,232,974
Transfer agent and filing fees		111,421	24,232	186,958	37,874
Promotion and shareholder information		146,815	132,289	292,337	383,304
Total expenses		(3,463,561)	(848,768)	(9,119,246)	(2,630,272)
Other income					
Interest income		59,746	61,618	198,368	134,166
Other income	7, 9	1,465,735	174,966	2,685,904	984,820
Total other income		1,525,481	236,584	2,884,272	1,118,986
Net loss for the period		\$ (1,938,080)	\$ (612,184)	\$ (6,234,974)	\$ (1,511,286)
Basic and diluted loss per common share		\$ (0.10)	\$ (0.02)	(0.14)	\$ (0.04)
Weighted average number of common shares outstanding		47,938,379	38,327,799	47,597,846	37,944,077
Net loss for the period		\$ (1,938,080)	\$ (612,184)	\$ (6,234,974)	\$ (1,511,286)
Change in unrealized gains on investment in equity instruments					
Increase (decrease) in fair value	4,5	258,621	30,356	(201,528)	15,460
Net comprehensive loss for the period		\$ (1,679,459)	\$ (581,828)	\$ (6,436,502)	\$ (1,495,826)

- The accompanying notes are an integral part of these condensed interim consolidated financial statements -

GREAT BEAR RESOURCES LTD.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	<i>Share Capital</i>		<i>Subscriptions Receivable/ Received</i>	<i>Equity Reserves</i>	<i>AOCI AFS Investments</i>	<i>Deficit</i>	<i>Total</i>
	<i>Number of Shares</i>	<i>Amount</i>					
Balance at December 31, 2018	37,133,611	\$ 29,330,540	\$ -	\$ 10,047,947	\$ (85,446)	\$ (21,853,143)	\$ 17,439,898
Change in fair value of FVOCI equity investments	-	-	-	-	15,460	-	15,460
Shares issued for mineral property	6d, 9	108,500	355,880	-	-	-	355,880
Share-based compensation	9, 10	-	-	1,666,181	-	-	1,666,181
Options exercised	9	351,500	260,325	-	-	-	260,325
Warrants exercised	9	1,783,249	1,485,203	229,408	-	-	1,714,611
Share issue costs – finders' warrants	-	(212,369)	-	212,369	-	-	-
Share issue costs – cash	9	-	(32,900)	-	-	-	(32,900)
Reclass of contributed surplus	-	949,040	-	(949,040)	-	-	-
Loss for the period	-	-	-	-	-	(1,511,286)	(1,511,286)
Balance at June 30, 2019	39,376,860	\$ 32,135,719	\$ 229,408	\$ 10,977,457	\$ (69,986)	\$ (23,364,429)	\$ 19,908,169
Balance at December 31, 2019	46,850,413	\$ 55,559,573	\$ -	\$ 11,894,093	\$ 166,928	\$ (24,296,851)	\$ 43,323,743
Change in fair value of FVOCI equity investments	-	-	-	-	(201,528)	-	(201,528)
Shares issued in private placement	-	2,195,600	23,886,480	-	-	-	23,886,480
Shares issued for mineral property	-	100,000	1,155,000	-	-	-	1,155,000
Share-based compensation	9,10	-	-	8,131,361	-	-	8,131,361
Options exercised	9	345,000	544,250	-	-	-	544,250
Warrants exercised	9	1,215,941	1,249,564	-	-	-	1,249,564
Share issuance costs – cash	-	-	(2,211,049)	-	-	-	(2,211,049)
Reclass of contributed surplus	-	992,046	-	(992,046)	-	-	-
Loss for the period	-	-	-	-	-	(6,234,974)	(6,234,974)
Portion allocated to Royalties for warrants exercised in GBR	1	-	(1,758)	-	-	-	(1,758)
Distribution of assets regarding the plan of arrangement	1	-	-	-	-	(1,454,538)	(1,454,538)
Balance at June 30, 2020	50,706,954	\$ 81,174,106	\$ -	\$ 19,033,408	\$ (34,600)	\$ (31,986,363)	\$ 68,186,551

- The accompanying notes are an integral part of these condensed interim consolidated financial statements -

GREAT BEAR RESOURCES LTD.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

		Six months ended June 30,	
		2020	2019
Cash flows from operating activities:	Note		
Loss for the period		\$ (6,234,974)	\$ (1,511,286)
Items not involving cash:			
Other income	7,9	(2,685,904)	(984,820)
Share-based compensation	10,11	7,187,946	1,232,974
Changes in non-cash working capital items:			
Accounts payable and accrued liabilities		(292,004)	194,068
Prepaid expenses		77,791	(2,162)
Receivables		(54,602)	(1,500)
Taxes receivable		(121,741)	(393,284)
Net cash used in operating activities		(2,123,488)	(1,466,010)
Cash flows used in investing activities:			
Mineral properties and exploration expenditures		(9,591,812)	(4,112,804)
Recoveries		50,000	-
Distribution of assets regarding plan of arrangement	2	(500,000)	-
Net cash used in investing activities		(10,041,812)	(4,112,804)
Cash flows from financing activities:			
Proceeds from private placement	10	33,004,200	-
Proceeds from options exercised	10	544,250	260,325
Proceeds from warrants exercised	10	1,249,564	1,485,203
Share issue costs	10	(2,211,049)	(32,900)
Subscriptions received		-	229,408
Proceeds from warrants exercised allocated to Royalties Corp.	10	(1,758)	-
Net cash provided by financing activities		32,585,207	1,942,036
Changes in cash during the period		20,419,907	(3,636,778)
Cash, beginning of period		28,515,877	13,282,093
Cash, end of period		\$ 49,935,784	\$ 9,645,315

Supplemental disclosure with respect to Cash Flows (Note 12)

- The accompanying notes are an integral part of these condensed interim consolidated financial statements -

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

1. Nature and continuance of operations

Great Bear Resources Ltd. (the "Company") was incorporated under the Company Act (British Columbia) on December 6, 2001. On January 22, 2010, the Company changed its name from Great Bear Uranium Corp. to Great Bear Resources Ltd. The Company's registered office and its principal place of business is located at 1020 - 800 West Pender Street, Vancouver, BC, Canada V6C 2V6.

The Company is a mineral exploration company with interests in mineral properties in British Columbia and Ontario, Canada. The Company's shares are listed on the TSX Venture Exchange ("TSX.V") under the trading symbol "GBR".

The Company is in the process of exploring its resource properties and has not yet determined whether the resource properties contain reserves that are economically recoverable. The business of mining and exploring for resources involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The recoverability of amounts capitalized for the resource properties and related deferred exploration costs are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof. Changes in future conditions could require material write-downs of the carrying values of resource properties.

During the six months ended June 30, 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on Great Bear as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may/ be put, in place by Canada and other countries to fight the virus.

2. Plan of Arrangement

GBR completed a share capital reorganization by way of statutory plan of arrangement (the "Arrangement") whereby all common shares of Great Bear Royalties Corp. ("Royalties Corp") held by GBR were distributed to shareholders of GBR, as a return of capital. The Arrangement was approved and effective on May 5, 2020 (the "Effective Date").

As part of the Arrangement, the Company transferred to Royalties Corp:

- \$500,000 in cash
- Marketable securities with fair value of \$954,538
- A two percent (2%) net smelter return ("NSR") royalty agreement on all potential future mineral production at GBR's Dixie property

Upon completion of the Arrangement, GBR shareholders as of the Effective Date were issued 12,008,113 common shares in Royalties Corp, proportionate to their holdings of GBR.

Upon completion of the Arrangement, GBR stock option holders as of the Effective Date were issued 1,091,875 stock options in Royalties Corp.

No new Royalties Corp warrants were issued pursuant to the Arrangement. However, Royalties Corp has an obligation to issue common shares to GBR warrant holders as of the Effective Date upon their exercise of their GBR warrants at a ratio of 1/4 share per each one (1) GBR share. In return, the Company will remit to Royalties Corp its proportionate share of the proceeds from the warrants exercised.

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

3. Basis of preparation

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for interim information, specifically International Accounting Standards ("IAS") 34 - Interim Financial Reporting. In addition, these interim consolidated financial statements have been prepared using interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") in effect at June 30, 2020 and the same accounting policies and methods of their application as the most recent annual financial statements of the Company.

These condensed interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2019. In management's opinion, all adjustments necessary for fair presentation have been included in these condensed interim financial statements. Interim results are not necessarily indicative of the results expected for the year ending December 31, 2020.

The condensed interim consolidated financial statements for the six months ended June 30, 2020 (including comparatives) have been prepared by management, reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 20, 2020.

Going Concern of Operations

These condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions that would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur. As the Company is in the exploration and evaluation stage, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the properties. To date, the Company has not earned any revenues.

4. Significant accounting policies

a) Basis for measurement

These condensed interim consolidated financial statements have been prepared on a historical basis, except for cash and financial instruments measured at fair value.

The accounting policies in preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2019.

b) Basis of consolidation

These condensed interim consolidated financial statements include the financial statements of Great Bear Resources Ltd. and its wholly owned subsidiary Great Bear Resources USA Corp., incorporated in California, USA. All intercompany transactions and balances have been eliminated upon consolidation.

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

4. Significant accounting policies (continued)

c) Critical accounting judgements and estimates

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amount of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are noted below with further details of the assumptions contained in the relevant note.

The preparation of our condensed interim consolidated financial statements requires us to make judgments regarding the Company's ability to continue as a going concern as discussed in Note 3.

Key Sources of Estimation Uncertainty and Critical Judgments

Exploration and evaluation assets

Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Share-based compensation

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based compensation expense for the six months ended June 30, 2020 are disclosed in Note 10.

Deferred tax assets and liabilities

The measurement of the deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of deferred taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company's deferred tax assets and tax provisions could be affected.

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

5. Investment in equity instruments

FVOCI investments consists of investments in common shares of publicly traded companies, and therefore has no fixed maturity date or coupon rate. The fair value of the listed investments has been determined directly by reference to published price quotations in an active market. On May 5, 2020, the Company distributed marketable securities with fair value of \$954,538 to Royalties Corp in accordance with the plan of arrangement (Note 2).

	Fair value Jan 1, 2019	Additions June, 2019	Disposals June 30, 2019	Fair value adjustment June 30, 2019	Fair value June 30, 2019
Common shares	\$ 258,012	\$ 481,430	\$ -	\$ 15,460	\$ 754,902
	Fair value Jan 1, 2020	Additions June 30, 2020	Disposals June 30, 2020	Fair value adjustment June 30, 2020	Fair value June 30, 2020
Common shares	\$ 1,208,566	\$ 290,000	\$(954,538)	\$ (201,528)	\$ 342,500

6. Receivables

Receivables as at June 30, 2020 consist of a GST receivable balance from the Federal Government of Canada in the amount of \$647,153 (December 31, 2019 - \$525,412) and \$62,625 receivable from directors of the Company. (December 31, 2019 - \$8,023).

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

7. Exploration and evaluation assets

	BA Property	Surprise Creek Property	Dixie Property	West Madsen Property	DPS Property	Total
Balance, December 31, 2018	\$ 379,102	\$ 23,045	\$ 4,339,661	\$ 203,140	\$ -	\$ 4,944,948
<u>Additions:</u>						
Acquisition				30,000	381,880	411,880
<u>Exploration:</u>						
Assays	-	-	1,698,273	-	-	1,698,273
Drilling	-	-	7,592,042	-	-	7,592,042
Geological services	-	-	2,885,098	-	36,750	2,921,848
Stock-based compensation	-	-	911,859	-	-	911,859
Supplies, equipment, travel, permitting, freight and shipping	-	-	1,014,621	-	1,000	1,015,621
<u>Less Recoveries:</u>						
Option payments	(302,840)	(23,045)	-	(142,500)	-	(468,385)
Balance, December 31, 2019	\$ 76,262	\$ -	\$ 18,441,554	\$ 90,640	\$ 419,630	\$ 19,028,086
<u>Additions:</u>						
Acquisition	-	-	-	-	30,000	30,000
Cash payments to First Nations ¹	-	-	206,050	-	-	206,050
Shares issued as per agreement with First Nations ¹	-	-	1,155,000	-	-	1,155,000
<u>Exploration:</u>						
Assays	-	-	1,481,261	-	-	1,481,261
Drilling	-	-	5,745,089	-	140,000	5,885,089
Geological services	-	-	2,123,487	-	-	2,123,487
Stock-based compensation	-	-	943,415	-	-	943,415
Supplies, equipment, travel, permitting, freight and shipping	-	-	903,190	-	16,037	919,227
<u>Less Recoveries:</u>						
Option payments	(60,000)	-	-	(90,640)	-	(150,640)
Balance, June 30, 2020	\$ 16,262	\$ -	\$ 30,999,046	\$ -	\$ 605,667	\$ 31,620,975

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

7. Exploration and evaluation assets (continued)**a) Dixie Property**

On November 20, 2015 the Company entered into an agreement to acquire the Dixie mining claims in Ontario consisting of a 67% interest in 45 mining claims and a 100% interest in 4 newly staked mining claims. In order to acquire the interest, the Company (as farmee) had to make the following cash payments and share issuances:

Due Date	Cash	Common Shares of the Company
November 2, 2015 (paid on November 2, 2015)	\$ 4,000 (paid)	-
Within 7 days of executing the acquisition agreement	\$ 16,000 (paid)	-
Within 30 days of executing the acquisition agreement	-	20,000 (issued)
November 20, 2016 (paid on November 2, 2016)	\$ 20,000 (paid)	-
November 20, 2017 (paid on November 2, 2017)	\$ 20,000 (paid)	-
November 20, 2018	\$ 30,000 (paid) *	-
November 20, 2019	\$ 40,000 (paid) *	-
	\$ 130,000	20,000

On July 12, 2017, the Company entered into a Purchase Agreement with Newmont Canada Holdings, ULC ("Newmont") to acquire Newmont's 33% interest in the Dixie project, located in the Red Lake district of Ontario, by paying \$80,000 over four years.

Due Date	Cash
July 12, 2017	\$ 20,000 (paid)
July 12, 2018	\$ 20,000 (paid)
July 12, 2019	\$ 20,000 (paid) *
July 12, 2020	\$ 20,000 (paid) *
Total	\$ 80,000

* The purchase was accelerated on November 19, 2018, where the Company accelerated the remaining payments totaling \$110,000 and acquired 100% in Dixie Property.

On May 5, 2020, pursuant to the Arrangement (Note 2), the Company executed a net smelter return ("NSR") royalty agreement with Royalties Corp. Pursuant to the NSR agreement, the Company will be required to pay Royalties Corp a two percent (2%) NSR royalty payment on all future mineral production at GBR's Dixie property.

¹ Exploration Agreement with Wabauskang and Lac Seul First Nations

On May 26, 2020, Great Bear announced it has entered into an Exploration Agreement (the "Exploration Agreement") with Wabauskang First Nation ("WFN") and Lac Seul First Nation ("LSFN") in relation to Great Bear's exploration activities on its mining properties within the WFN and LSFN traditional territories. As part of the accommodation to LSFN and WFN under the Exploration Agreement, Great Bear issued an aggregate of one-hundred thousand (100,000) common shares ("Shares") in its capital stock to LSFN and WFN at a deemed price of \$11.55 equal to the market price on May 4, 2020 the date of issue, such shares to be divided equally between LSFN and WFN. On June 17, 2020, the TSX Venture Exchange has accepted for filing the Exploration Agreement.

For the term of this Agreement, in recognition of the impacts of certain Exploration Activities, Great Bear shall pay to the First Nations, the equivalent of four (\$4.00) Dollars per metre of drilling, (the "Community Fund Payment") on the following terms:

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

7. Exploration and evaluation assets (continued)**a) Dixie Property** (continued)

Great Bear will, on a quarterly basis, provide the First Nations with the supporting calculation of the Community Fund Payment for

- i. All financial quarters since January 1, 2020; and
- ii. The most recent financial quarter, within Thirty (30) Days of the end of that financial quarter; and
- iii. Great Bear will pay the First Nations the Community Fund Payment in quarterly installments, within Sixty (60) Days of the end of each financial quarter.

During the six months ended June 30, 2020, the Company paid \$206,050 to WFN and LSFN.

b) West Madsen Property

On December 29, 2016, the Company signed a purchase agreement to acquire 100% ownership of the West Madsen gold project in the Red Lake Gold District of Ontario. On August 29, 2017, the Company entered into an amending agreement to the above purchase agreement.

On August 29, 2017, the Company signed a purchase agreement to acquire 100% ownership of additional claims expanding the West Madsen gold project. The Company also purchased all Net Smelter Royalties (“NSR”) on the West Madsen project for payment of 200,000 shares.

Under these agreements, the Company will pay aggregate cash and issue shares as follows:

Due Date	Cash	Common Shares
December 2016	\$ 12,000 (paid)	-
April 7, 2017 issued	-	100,000 (issued)
Within 7 business days as of August 29, 2017	\$ 12,000 (paid)	-
Within 7 business days as of TSX Approval	-	300,000 (issued)
December 29, 2017	\$ 10,000 (paid)	-
August 29, 2018	\$ 12,000 (paid)	-
December 29, 2018	\$ 12,000 (paid)	-
August 29, 2019	\$ 14,000 (paid)	-
December 29, 2019	\$ 16,000 (paid)	-
August 29, 2020	\$ 16,000 (paid)*	-
December 29, 2020	\$ 20,000	-
August 29, 2021	\$ 20,000	-
Total	\$ 144,000	400,000

* Subsequent to the period ended June 30, 2020, the Company paid \$16,000 pursuant to the option agreement

On May 22, 2019, Great Bear entered into an agreement with GoldON Resources Ltd. (TSX-V: GLD, “GoldON”) wherein GoldON has the option to earn an initial 60% interest, and a subsequent 100% interest in Great Bear’s West Madsen property.

In order to earn an initial 60% interest in the property, GoldON must:

- (a) incur minimum exploration expenditures on the property, as follows:
 - I. \$100,000 on or before the first anniversary of the Definitive Agreement (completed).
 - II. a cumulative total of not less than \$350,000 on or before the second anniversary of the Definitive Agreement;
 - III. a cumulative total of not less than \$750,000 on or before the third anniversary of the Definitive Agreement; and

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

7. Exploration and evaluation assets (continued)

b) West Madsen Property (continued)

- (b) pay cash to Great Bear as follows:
 - I. \$50,000 within 10 days of signing a Definitive Agreement; (received)
 - II. \$50,000 on or before the date that is 10 days after the first anniversary of the Definitive Agreement (received); and
 - III. \$75,000 on or the date that is 10 days after the second anniversary of the Definitive Agreement; and
- (c) issue common shares of GoldON to Great Bear as follows:
 - I. 250,000 Shares within 10 days of signing the Definitive Agreement; (received)
 - II. 250,000 Shares on or before the date that is 10 days after the first anniversary of the Definitive Agreement (received); and
 - III. 375,000 Shares on or the date that is 10 days after the second anniversary of the Definitive Agreement.

In order to earn an additional 40% interest, for a total of 100% interest, GoldON must:

- (a) incur additional exploration expenditures on the property of at least \$750,000 on or before the fourth anniversary of the Definitive Agreement, and
- (b) pay \$500,000 cash or issue 500,000 Shares to Great Bear at GoldON's election on or the date that is 15 days after the third anniversary of the Definitive Agreement.

Great Bear will retain a 2.5% Net Smelter Return royalty after GoldON completes the initial 60% earn-in. GoldON shall have the right to buy back 1% of the Royalty for \$500,000 at any time prior to a production decision being made on all or part of the Property.

During the six months ended June 30, 2020, pursuant to the agreement between Great Bear and GoldOn, the Company received 250,000 GoldOn shares valued at \$170,000 and a cheque for \$50,000 in payment of the first-anniversary option amount. which was recorded as a recovery of the exploration and evaluation assets balance of \$90,640 against West Madsen Property. The remaining amount of \$129,360 was recorded as other income in the Statement of Loss and Comprehensive Loss.

c) BA Property and Surprise Creek Property

Pursuant to an option and joint venture agreement with Mountain Boy Minerals Ltd. ("Mountain Boy") dated January 28, 2010 and amended on December 31, 2013, the Company acquired a 50% interest in the BA Property located in the Skeena Mining Division in the province of British Columbia.

The Company owns 50% of the Surprise Creek Property subject to a 1% NSR, which may be purchased by the Company. The Surprise Creek Property is also in the Skeena Mining Division in the province of British Columbia and consists of 19 mineral claims totaling 7,472 hectares.

On October 25, 2010, the Company entered into an amending agreement to the above Option and Joint Venture Agreement relating to the BA Property whereby the Surprise Creek Property was included under the terms of the Joint Venture Agreement and acquisition costs for the Surprise Creek Property borne entirely by the Company were applied against its earn-in requirement towards the BA Property.

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

7. Exploration and evaluation assets (continued)**c) BA Property and Surprise Creek Property** (continued)

In October 2016, the Company amended its agreements with Mountain Boy and entered into new joint venture agreements with Mountain Boy for each of the BA and Surprise Creek properties (the “2016 Agreements”). The October 2016 Agreements require the Company and Mountain Boy to conduct annual minimum work programs of \$250,000 on each project. Management has determined the terms of this arrangement do not provide joint control of the relevant activities of exploring and evaluating this property and accordingly only those costs incurred by the Company have been capitalized. The 2016 Agreements are suspended during the period of the 2017 Agreement, and if Mountain Boy elects not to exercise an option or fails to make any payments or share issuances to the Company in respect of either optioned property, the 2016 Agreements between the Company and Mountain Boy will resume in respect of the properties at 50% interest owned by each company.

On June 1, 2017, the Company entered into an Agreement to grant an option to Mountain Boy to acquire the Company’s 50% interest in and to each of the BA Property and Surprise Creek Property. Under the option agreement, Mountain Boy will pay aggregate cash and shares as follows:

Due Date	Cash	Post Consolidation Common Shares of Mountain Boy
August 20, 2017	\$ 150,000 received	-
September 1, 2017 (TSX approval date)	-	500,000 received
November 20, 2017	150,000 received	-
April 15, 2018	-	500,000 received
August 20, 2018	300,000 received*	-
April 15, 2019	-	500,000 received
August 20, 2019	350,000 received**	-
April 15, 2020	-	500,000 received
August 20, 2020	350,000 ***	-
On completion of a Mineral Resource on the Surprise Creek Property	200,000	-
On completion of a Mineral Resource on the BA Property	400,000	-
On completion of a Pre-Feasibility Study on the Surprise Creek Property	200,000	-
On completion of a Pre-Feasibility Study on the BA Property	500,000	-
On commencement of constructing a mine to extract ore to produce minerals from the Surprise Creek Property	800,000	-
On commencement of constructing a mine to extract ore to produce minerals from the BA Property	1,600,000	-
	\$ 5,000,000	2,000,000

* Deferred to March 20, 2019 in exchange for additional Mountain Boy shares. On March 15, 2019, the Company received 323,000 shares of Ascot Resources Ltd (“Ascot”) in settlement of the \$300,000 due from Mountain Boy to Great Bear. The fair value of these shares was \$293,930.

** During the year ended December 31, 2019, the Company and Mountain Boy entered into an agreement to settle the cash payment of \$350,000 due on August 20, 2019 by the delivery to Great Bear of 425,000 freely tradeable shares of Ascot. Great Bear agreed to accept the Ascot shares as full settlement for the August 2019 payment. The fair value of these shares on the date of issuance was \$216,750.

*** On August 18, 2020, the Company agreed to accept 620,000 common shares of Mountain Boy in lieu of cash payment. The share payment will be made upon TSX.V approval.

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

7. Exploration and evaluation assets (continued)**c) BA Property and Surprise Creek Property (continued)**

The Company will retain a right of first refusal on the sale of both - the Surprise Creek and BA properties, should Mountain Boy enter into a sale agreement on either project in whole or in part with a third party.

In April 2018, the Company received 500,000 (2,500,000 pre-consolidation) Mountain Boy shares valued at \$137,500. They were recorded as a recovery to offset expenditures for BA and Surprise Creek Properties.

On October 18, 2018, Mountain Boy issued 120,000 (600,000 pre-consolidation) common shares to Great Bear in consideration for extending a cash payment due August 20, 2018 to March 20, 2019.

On October 26, 2018, Mountain Boy announced a share consolidation of five-old-for-one-new (5:1) common share in Mountain Boy. Trading on a post-consolidated basis began on November 12, 2018.

During the year ended December 31, 2019, the Company received 323,000 shares of Ascot Resources Ltd ("Ascot") in settlement of the \$300,000 due from Mountain Boy to Great Bear on March 20, 2019. The fair value of these shares was \$293,930, which was recorded as a recovery of the exploration and evaluation assets balance of \$146,965 against BA Property and \$23,045 against Surprise Creek Property. The remaining amount of \$123,920 was recorded as other income in the Statement of Loss and Comprehensive Loss.

During the year ended December 31, 2019, the Company received 500,000 (2,500,000 pre-consolidation) Mountain Boy shares valued at \$95,000.

During the six months ended June 30, 2020, the Company received 500,000 (2,500,000 pre-consolidation) Mountain Boy shares valued at \$120,000, which was recorded as a recovery of the exploration and evaluation assets balance of \$60,000 against BA Property. The remaining amount of \$60,000 was recorded as other income in the Statement of Loss and Comprehensive Loss.

d) Dedee Property, Pakwash Property and Sobel Property ("DPS Property")

On March 1, 2019, the Company acquired three properties in the Red Lake District of Northwest Ontario pursuant to the following terms:

	Dedee Property	Pakwash Property	Sobel Property	Total
Signing of agreement	\$ 6,000 (paid)	\$ 10,000 (paid)	\$ 10,000 (paid)	\$ 26,000 (paid)
Within 7 days of TSX Acceptance	15,000 shares (issued)	25,000 shares (issued)	30,000 shares (issued)	70,000 shares (issued)
One year after effective date	\$ 10,000	\$ 8,000	\$ 12,000	\$ 30,000 (paid)
Two years after effective date	\$ 12,000	\$ 12,000	\$ 20,000	\$ 44,000
Three years after effective date	\$ 16,000	\$ 15,000	\$ 20,000	\$ 51,000
Four years after effective date	\$ 24,000	\$ 20,000	\$ Nil	\$ 44,000

On March 11, 2019, the Company paid \$26,000 pursuant to the option agreement. On April 5, 2019, the Company issued 70,000 shares pursuant to the option agreement. The fair value of these shares on the date of issuance was \$229,600. On April 5, 2019, the Company elected to buy out all the outstanding royalties on the newly optioned properties (Dedee Property, Pakwash Property, Sobel Property) for total consideration of 38,500 shares of Great Bear. The fair value of these shares on the date of issuance was \$126,280.

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

7. Exploration and evaluation assets (continued)**d) Dedee Property, Pakwash Property and Sobel Property (“DPS Property”)** (continued)

The schedule of optional payments for all of the optioned properties can be accelerated at any time at the Company’s discretion in order to achieve full ownership at an earlier date. The options may also be terminated at any time subsequent to the initial cash and share payment.

During the six months ended June 30, 2020, the Company paid \$30,000 pursuant to the option agreement.

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities for the Company are broken down as follows:

	Note	June 30, 2020	December 31, 2019
Accounts payable to third parties	\$	1,502,460	1,114,741
Accrued liabilities to third parties		327,622	301,022
Accounts payable to related parties	11	194,206	2,625
Accrued liability to related parties	11	153,125	3,125
Total	\$	2,177,413	1,421,513

Included in accrued liabilities is an amount of \$271,022 which has been outstanding for over ten years. Management has disputed this balance owing and does not believe the Company is required to pay this amount. The Company will continue to review current statutes and is seeking legal advice to determine when the amount can be de-recognized from the financial statements.

9. Flow-through liability

Flow-through share premium liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the issued flow-through shares:

Balance at December 31, 2018	\$	813,400
Liability incurred on flow-through shares issued during the year		6,520,000
Settlement of flow-through share liability on incurred expenditures		(2,566,551)
Balance at December 31, 2019	\$	4,766,849
Liability incurred on flow-through shares issued during the period		9,117,720
Settlement of flow-through share liability on incurred expenditures		(2,491,146)
Balance at June 30, 2020	\$	11,393,423

In July 2019, the Company issued 2,000,000 flow-through common shares at a price of \$5.45 per share for gross proceeds of \$10,900,000. A premium of \$1.17 per share was recorded for the flow-through shares.

In November 2019, the Company issued 2,000,000 flow-through common shares at a price of \$8.35 per share for gross proceeds of \$16,700,000. A premium of \$2.09 per share was recorded for the flow-through shares. During the year ended December 31, 2019, the Company incurred \$10,852,142 of eligible flow-through expenditure, representing 100% of the flow-through share issuance in November 2018 and 75% of the flow-through share issuance in July 2019. A total premium liability of \$2,566,551 was amortized to Other Income on the Statement of Operations and Comprehensive Loss.

In June 2020, the Company issued 1,470,600 flow-through common shares at a price of \$17 per share for gross proceeds of \$25,000,200. A premium of \$6.20 per share was recorded for the flow-through shares. During the six months ended June 30, 2020, the Company incurred \$10,341,689 of eligible flow-through expenditure, representing 25% of the flow-through share issuance in July 2019 (therefore fulfilling this commitment) and 46% of the flow-through share issuance in November 2019. A total premium liability of \$2,491,146 was amortized to Other Income on the Statement of Operations and Comprehensive Loss.

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

10. Share capital

a) Authorized

Share capital consists of an unlimited number of voting common shares without par value.

b) Issued

Six months ended June 30, 2020

On June 2, 2020, Great Bear closed a “bought deal” private placement financing (the “Offering”). Upon closing of the Offering, the Company issued 1,470,600 flow-through shares at a price of \$17 per flow-through common share, and 725,000 common shares of the Company at a price of \$11.04 per common share for aggregate gross proceeds of \$33,004,200.

In connection with the Offering, the Company paid fees totaling \$2,211,049, which are comprised of a cash commission of 6% of the gross proceeds of the Offering and reimbursement of expenses and fees. A flow-through liability of \$9,117,720 was recorded in connection with the flow-through offering (Note 9).

Allocation				
Gross proceeds	Common shares	Warrants	Flow-through premium liability	Finder's fees and share issue costs
\$ 33,004,200	\$ 23,886,480	\$ Nil	\$ 9,117,720	\$ 2,211,049

During the six months ended June 30, 2020, 1,215,941 common shares were issued upon warrant exercise for a total of \$1,249,564 and 345,000 shares were issued upon option exercise for gross proceeds of \$544,250. \$992,046 was reallocated from reserves to share capital.

Six months ended June 30, 2019

During the six months ended June 30, 2019, 1,783,249 common shares were issued upon warrant exercise for a total of \$1,485,203 and 351,500 shares were issued upon option exercise for gross proceeds of \$260,325. \$949,040 was reallocated from reserves to share capital. The Company also issued 108,500 common shares for mineral properties. The fair value of these shares on the date of issuance was \$355,880.

c) Share purchase warrants

Warrant transactions are summarized as follows:

	June 30, 2020		December 31, 2019	
	Number of warrants	Weighted Average Exercise Price	Number of warrants	Weighted Average Exercise Price
Balance, beginning of period	3,161,445	\$ 1.49	8,152,492	\$ 1.05
Granted	-	\$ -	142,117	\$ 1.75
Exercised	(1,215,941)	\$ 1.03	(5,031,802)	\$ 0.80
Expired	-	\$ -	(101,362)	\$ 0.83
Balance, end of period	1,945,504	\$ 1.78	3,161,445	\$ 1.49

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

10. Share capital (continued)

c) Share purchase warrants

As at June 30, 2020, the following warrants were outstanding and exercisable:

Warrants Outstanding	Warrants Exercisable	Exercise price	Weighted Average Remaining Life (in years)	Expiry date
1,945,504	1,945,504	\$ 1.75	0.20	September 11, 2020

d) Stock options

The Company has adopted an incentive stock option plan (the "Option Plan") dated September 30, 2010 which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the then issued and outstanding common shares of the Company. At the discretion of the Board of Directors of the Company, options granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms are determined at the time of grant by the Board of Directors.

On January 31, 2020, the Company granted an aggregate of 710,000 stock options to officers, directors, advisors and consultants of the Company, exercisable at \$8.67 per share for a period of five years. The options are subject to a four month hold period.

On June 23, 2020, the Company granted an aggregate of 150,000 stock options to a director of the Company, exercisable at \$16.28 per share for a period of five years. The options are subject to a four month hold period.

The fair value of stock options awarded in January and June 2020 were \$7.86 and \$14, respectively and were determined using the Black-Scholes Option Pricing Model with assumptions as follows:

	June 30, 2020	December 31, 2019
Expected dividend yield	0%	0%
Weighted average risk-free interest rate	0.39-1.29%	1.36-1.81%
Weighted average expected life	5 years	5 years
Weighted average expected volatility	131-143%	143-163%

The share-based compensation for the six months ended June 30, 2020 was \$8,131,361. From this amount, \$943,415 was capitalized to Mineral Properties as the options were granted to exploration staff and consultants.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility, which was estimated based on historical volatility of the Company's publicly traded shares. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

10. Share capital (continued)

d) Stock options (continued)

	June 30, 2020		December 31, 2019	
	Number of stock options	Weighted Average Exercise Price	Number of stock options	Weighted Average Exercise Price
Balance, beginning of period	3,832,500	\$ 1.93	3,349,000	\$ 0.91
Granted	860,000	\$ 9.95	1,060,000	\$ 4.79
Cancelled	(15,000)	\$ 3.69	-	-
Exercised	(345,000)	\$ 1.58	(576,500)	\$ 1.23
Balance, end of period	4,332,500	\$ 3.54	3,832,500	\$ 1.93

As at June 30, 2020, the following stock options were outstanding and exercisable:

Options Outstanding	Options Exercisable	Exercise price	Weighted Average Remaining Life (in years)	Expiry date
780,000	780,000	\$ 0.22 *	1.17	September 1, 2021
190,000	190,000	\$ 0.35 *	2.28	October 11, 2022
445,000	445,000	\$ 0.50 *	2.67	March 1, 2023
268,500	268,500	\$ 0.54 *	3.03	July 11, 2023
824,000	824,000	\$ 1.83 *	3.22	September 20, 2023
405,000	405,000	\$ 3.69 *	3.65	February 21, 2024
400,000	400,000	\$ 5.27 *	4.07	July 24, 2024
35,000	35,000	\$ 7.63 *	4.28	October 10, 2024
125,000	125,000	\$ 6.52 *	4.39	November 18, 2024
860,000	860,000	\$ 8.61 *	4.59	January 31, 2025
150,000	150,000	\$16.28	4.98	June 23, 2025
4,332,500	4,332,500		3.35	

* adjusted to take into account the spin-out of Great Bear Royalties Corp.

11. Related party transactions

Key management compensation paid and accrued to directors, officers and companies in which directors and officers are shareholders and employees during the six months ended June 30, 2020 and 2019 are as follows:

	June 30, 2020	June 30, 2019
Director fees	\$ 31,000	\$ 30,000
Geological fees capitalized to resource properties	116,667	112,500
Management and consulting fees	536,500	444,000
Share-based compensation	5,466,218	633,149
Total	\$ 6,150,385	\$ 1,219,649

As at June 30, 2020, \$194,206 (December 31, 2019 - \$2,625) is payable to officers and directors of the Company. The accrued liabilities included \$153,125 (December 31, 2019 - \$3,125), owing to various officers and directors of the Company and companies, controlled by, or having common officers and/or directors. These balances are non-interest bearing with no specific terms of repayment and are unsecured.

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

12. Supplementary cash-flow information

Non-cash transactions are as follows:

	June 30, 2020	June 30, 2019
Finders' warrants	\$ -	\$ 212,369
Mineral properties and exploration expenditures included in accounts payable	\$ 1,366,718	\$ 811,460
Shares issued for acquisition of exploration and evaluation assets	\$ -	\$ 355,880
Shares received for exploration and evaluation assets	\$ 270,000	\$ 481,430
Shares issued pursuant to agreement with First Nations	\$ 1,155,000	\$ -

13. Commitments

a) Plan of Arrangement - Madalena Energy Inc. (formerly Madalena Ventures Inc.)

In March of 2006, the Company entered into an agreement with Madalena Energy Inc. ("Madalena"), a public company listed on TSX Venture Exchange, in which Madalena agreed to distribute its mineral exploration business and certain marketable securities associated with the business to the Company. Each shareholder of Madalena received one-fifteenth of a common share of the Company for each common share of Madalena owned by such shareholder at August 22, 2006. The Company assumed all of Madalena's obligations in respect to a dividend in specie declared by Madalena on November 15, 2004, which was payable in the form of Planet Mining Exploration Inc. ("Planet") shares. The remaining 962,861 Planet shares and the dividend obligation that were transferred to the Company as part of the Arrangement are not included in the Company's balance sheet as the shares are held in trust by the Company for shareholders of Madalena at the declaration date. As at December 31, 2015, the Company held 962,861 Planet shares for distribution.

The dividend entitlement still exists but will ultimately expire pursuant to the provisions of the Unclaimed Property Act (B.C.), after which any unclaimed Planet shares (or any cash realized from their disposition prior to then) will become the property of the Company. As these Planet shares are held in a trust account for distribution to eligible shareholders, the shares have not been recognized on the Company's balance sheet.

b) Flow-Through Shares

During July 2019, the Company issued 2,000,000 flow-through shares and, as a result, committed to spend \$10,900,000 in qualifying expenditures in 2019 and 2020. As at June 30, 2020, 100% of this commitment was fulfilled (Note 9).

During November 2019, the Company issued 2,000,000 flow-through shares and, as a result, committed to spend \$16,700,000 in qualifying expenditures in 2019 and 2020. As at June 30, 2020, 46% of this commitment was fulfilled (Note 9).

During June 2020, the Company issued 1,470,600 flow-through shares and, as a result, committed to spend \$25,000,200 in qualifying expenditures in 2020 and 2021. As at June 30, 2020, none of this commitment was fulfilled (Note 9).

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

13. Commitments (continued)

c) Employment and Consulting Agreement

The Company has entered into an employment agreement with a director and officer of the Company. If this agreement is terminated by the Company without just cause, the Company is required to make a payment equal to the employee's annual base salary then in effect plus 50% of the most recently granted bonus. If there is a change in control and either party terminates this agreement within 12 months of the change in control, the Company is required to pay the employee an amount equal to 36 months of the employee's base salary and 50% of the most recent bonus granted to the employee.

The Company has entered into a consulting agreement with a director and officer of the Company. If this agreement is terminated by the Company without just cause, the Company is required to make a payment equal to the officer's annual base fee then in effect. If there is a change in control and either party terminates this agreement within 12 months of the change in control, the Company is required to pay the officer an amount equal to 36 months of the officer's base fee.

14. Financial and capital risk management

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

a) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash are available on demand for the Company's programs and are not invested in any asset backed commercial paper.

b) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash. The Company maintains its cash with high-credit quality financial institutions, thus limiting its exposure to credit risk on such financial assets.

c) Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash, and restricted cash as they are generally held with large financial institutions.

d) Price Risk

Investments in equity instruments which are classified as fair value through other comprehensive income and are measured at fair value, are listed on public stock exchanges, including TSX-V and OTC-QB. Recently, the markets have experienced extreme volatility. Therefore, sensitivity analysis is performed using 15%. For such investments, a 15% increase in equity prices as at June 30, 2020 would have increased investments in equity instruments by \$51,375. An equal change in the opposite direction would have had the equal but opposite effect on the amounts shown above.

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

14. Financial and capital risk management (continued)

e) Fair Value Hierarchy

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

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

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

The fair value of cash and investments in equity instruments is measured based on level 1 of the fair value hierarchy.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2020 and December 31, 2019:

	Classification	Fair Value Hierarchy	June 30, 2020 Fair Value	December 31, 2019 Fair Value
Financial Assets:				
Cash	FVTPL	1	\$ 48,935,784	\$ 28,515,877
Investments in equity instruments	FVOCI	1	\$ 342,500	\$ 1,208,566

There were no transfers between Level 1, 2 and 3 in the year. The estimated fair value of financial instruments approximates their carrying values due to the short-term nature of these instruments.

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through short-form prospectuses, private placements, sell assets, incur debt, or return capital to shareholders. There were no changes in the Company's approach to capital management during the period. In the management of capital, the Company includes the components of shareholders' equity, as well as cash. As at June 30, 2020, the Company is not subject to externally imposed capital requirements.

15. Segmented information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mineral exploration sector. The Company's mining exploration operations are centralized whereby the Company's head office is responsible for the exploration results and for providing support in addressing local and regional issues. The Company's resource properties are located in British Columbia and Ontario, Canada. The resource properties are as disclosed in Note 7.

GREAT BEAR RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2020

16. Subsequent event

Subsequent to the six months ended June 30, 2020:

- Additional 44,990 shares were issued upon exercise of warrants for the total proceeds of \$78,733 and 190,500 shares were issued upon exercise of options for the total proceeds of \$342,615.
- On August 18, 2020, the Company agreed to accept 620,000 common shares of Mountain Boy Minerals Ltd. ("MTB") in lieu of \$350,000 in cash as MTB's final payment per the 2017 BA/Surprise Creek Agreement.