

# Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

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## Champion Bear Resources Ltd. (TSXV: CBA) – Two New Zones Identified and NI 43-101 Report for Eagle Rock Property

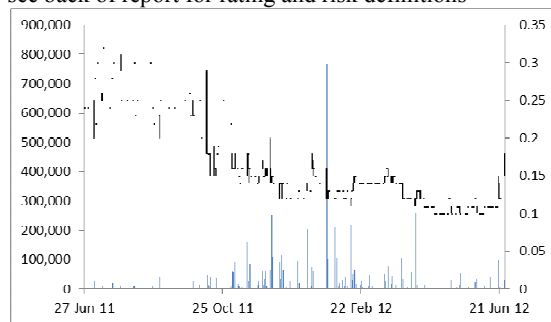
Sector/Industry: Junior Exploration/Mining

[www.championbear.com](http://www.championbear.com)

### Market Data(as of June 25, 2012)

Current Price	C\$0.175
Fair Value	N/A
Rating*	N/A
Risk*	5 (Highly Spec)
52 Week Range	C\$0.10 - C\$0.17
Share O/S	41.47 mm
market Cap	C\$7.26 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	1.7x
YoY Return	-25.0%
YoY TSXV	-38.3%

\*see back of report for rating and risk definitions



### Investment Highlights

- Identification of 2 new zones at the Eagle Rock property, the West Zone and East Lake Occurrence.
- CBA released a NI 43-101 report for the Eagle Rock project indicating a promising future for the project.
- CBA plans on drilling up to 2,500m on the Plomp Farm property in 2012.
- CBA currently has \$50k in cash. The company is currently trying to complete a \$0.50 million financing – which is essential for the company to pay out its payables and fund exploration.
- Our previous valuation on CBA, at the time of our initiating report in July 2009, was \$0.66 per share. Although the company has identified two new zones at the Eagle Rock project, and has plans to drill on Plomp Farm, the development of the projects has been slow since our initial report. Both projects show promise, but are still in early stages, and we do not believe estimating a value is prudent at this time.
- CBA's shares had unusual activity today (twice the average volume and a 46% price increase); we are not aware of any specific developments.

### Key Financial Data (FYE - Dec 31st)

(C\$)	2011	2012-(3M)
Cash and Equivalents	190,465	47,316
Working Capital	(12,383)	(195,770)
Mineral Properties	13,133,092	13,247,075
Total Assets	13,476,837	13,448,491
Net Income	(33,158)	(189,834)
EPS	(0.00)	(0.00)

Champion Bear Resources Ltd. is a junior exploration company holding several properties in the Dryden and Sudbury mining regions of Ontario. The company's current focus is on their PGM, gold and base metal properties, Eagle Rock and Plomp Farm near Dryden Ontario. The company also continues to hold 50% interest in the Parkin Offset property which overlies 7 km of the Parkin offset dyke, and is currently being drilled by JV partners Wallbridge Mining Company and Impala Platinum Holdings Ltd.

### ***Company Update***

Since our initiating report on July 20, 2009, Champion Bear Resources (“CBA” or “the company”) has shifted their main focus away from the Sudbury area properties in order to further develop the Eagle Rock and Plomp Farm properties in the Dryden area. The company maintains a 50% interest in the Parkin Offset project, but the operator of the property is the joint venture (JV) partner, Wallbridge Mining Company.

### ***Update on Dryden Area Properties***

CBA has two sets of projects in the Dryden Area. These are the Eagle Rock and the Plomp Farm projects. Map 1 shows the locations of the CBA owned and JV properties. See our initiating report for a full overview of the properties.

*Map 1: Locations of the Company’s Ontario Properties*



Source: Company

### **Eagle Rock Project**

On November 3, 2011, CBA announced the completion of a NI 43-101 technical report for the 100% owned flagship Eagle Rock project. The report was completed by Tetra Tech Wardrop of Sudbury, Ontario. Recommendations include a 2 phase \$2,000,000 program with the goal of delineating the Campbell Zone mineralization and exploring the newer mineralized zones discovered in the 2011 exploration program. This should involve a diamond drill program aimed at establishing grade continuity over through the zones, and the strike and dip of the zones, including the structural controls on the mineralization. **This initial 43-101 report indicates the potential of the Eagle Rock property and shows the company’s dedication to the project.**

The Campbell Zone is part of a large under-explored intrusion and has tabular reef-type copper- platinum group element (PGE) mineralization over significant consistent widths. CBA management believes the zone has potential for open pit mining as it outcrops for more than a kilometre of strike, has been drilled to 200m vertical, and remains open at depth and along strike.

CBA also announced in November 2011, that the option agreement with Canadian Platinum Corp. (TSXV: CPC) has been terminated. The agreement was originally publicized on July 18, 2011, and stated that Canadian Platinum was to receive a 50% interest in the Eagle Ridge property. According to management, CPC was unable to finance the required minimum commitment – which resulted in a mutual agreement to terminate the agreement.

Development of the Eagle Rock project has been slow since our initiating report in 2009. Exploration picked up again in 2011, with the 2011 program **identifying 2 new sulphide zones, the West Zone and East Lake Occurrence**. These are thought to signify extensions of the Campbell Cu-Ni-Pt-Pd-Au mineralized zone.

The West Zone is located 700m SW of the Campbell Main Zone. It was first discovered in the 1980's, but no further exploration has occurred on it since. 2011 surface samples returned frequent results between 0.4-0.5% Cu, with some samples containing up to 0.95 g/t Pt+Pd+Au and 0.46% Cu+Ni. Table 1 on the next page shows the highlights from the 2011 exploration season over all three zones. These samples have defined an extensive zone of surface sulphide mineralization extending along a strike length of over 200m. **CBA plans on completing geological mapping, geochemical sampling and ground based geophysics as part of a program aimed at determining drill targets.**

The East Lake Occurrence is SE of the Campbell Zone and represents the eastern limit of the surface mineralization that characterizes the Campbell Zone. Campbell-style mineralization signatures were found in surface samples on the East and West side of East Lake. The results include up to 0.73 g/t Pt+Pd+Au and 0.29% Cu+Ni, 0.44 g/t Pt+Pd+Au and 0.26% Cu+Ni, and 0.61g/t Pt+Pd+Au and 0.38% Cu+Ni. Additional field work will be designed to link this zone with the Main Campbell Zone. The work will involve prospecting and geological mapping.

Surface sampling on the Main Campbell Zone returned the highest grade results of the program. These were taken from the NW region of the Campbell Zone, an area that has previously been under-explored. The results include 2.06g/t Pt+Pd+Au and 0.69% Cu+Ni, and 1.91g/t Pt+Pd+Au and 0.96% Cu+Ni. Prior to this sampling the last exploration on this area was in 1999, when shallow drill holes returned results of 1.34g/t Pt+Pd+Au and 0.62% Cu+Ni over 9.6 metres, and 1.33g/t Pt+Pd+Au and 0.53% Cu+Ni over 16.2 metres. Further surface exploration is planned and will be followed up by a deeper drilling program, aimed at testing the mineralization to a depth of 200m.

We find that these grades are low to average, however, there appears to be the potential for a low-grade high-tonnage type deposit, particularly in the Main Campbell Zone. **A NI 43-101 resource estimate is yet to be released and is necessary in order to confirm the tonnage of the mineralized zone.**

**We believe that the 2011 surface sampling results, and discovery of two new zones, are exciting news and shows potential for the Eagle Rock property. We look forward to the results from further exploration.**

*Table 1: Surface sample highlights from the 2011 exploration*

Zone	Pt+Pd+Au (g/t)	Cu+Ni (%)	Cu (%)	Ni (%)	Pt (g/t)	Pd (g/t)	Au (g/t)
Northwest Campbell Zone	2.06	0.69	0.62	0.07	0.58	1.05	0.43
Northwest Campbell Zone	1.91	0.96	0.87	0.09	0.57	0.86	0.48
Northwest Campbell Zone	1.52	0.65	0.56	0.08	0.46	0.74	0.33
Main Campbell Zone	1.07	0.8	0.72	0.08	0.31	0.53	0.22
Main Campbell Zone	1.3	0.71	0.63	0.07	0.37	0.67	0.26
Main Campbell Zone	1.38	0.58	0.53	0.05	0.37	0.69	0.31
new West Zone	0.95	0.47	0.41	0.05	0.25	0.48	0.22
new West Zone	0.13	0.43	0.38	0.05	0.04	0.05	0.03
new East Lake Zone	0.74	0.29	0.24	0.04	0.23	0.37	0.14
new East Lake Zone	0.44	0.26	0.19	0.07	0.13	0.21	0.1
East Campbell Zone	0.61	0.38	0.32	0.05	0.16	0.3	0.15

*Source: Company*

### **2012 Exploration**

The 2012 exploration plan will involve trenching and geophysics work on the two new zones as well as over a portion of the Campbell Zone, to be followed by drilling. Management plans on revisiting 5-6 trenches on the West Zone, and 1 trench on the East Lake Zone that were started in 2011. There may also be an air-borne electromagnetic (AEM) geophysics survey that will cover an area of 8km by 8km including both new zones, and a portion of the Campbell Zone. **CBA plans on preparing a resource estimate for the Campbell Zone within the next 12 months.**

### **Plomp Farm Project**

The Plomp Farm property is 100% owned by CBA and consists of 2 main blocks. The Main Zone has a corridor of gold enrichment with higher grades contained within ore shoots. Historical high grade intersections include: 7.84 g/t Au, 27 g/t Ag, and 0.11% Zn over 2.0 metres, 5.2 g/t Au, 25 g/t Ag, and 7.99% Zn over 1.5 metres, within an altered quartz-sercite schist, and 3.4 to 34.9 g/t Au with greater than 0.27% Cu in several other holes. It should be noted that these are historical values and are not NI 43-101 compliant.

On January 5, 2011, CBA announced the completion of the 2010 exploration program. The 2010 exploration program consisted of reconnaissance mapping and sampling of the East Block claims. The ground program was based on a 2001 government airborne geophysical survey, and discovered several gossans containing anomalous gold, palladium and base metal values. Additional field work has been recommended, including ground geophysical surveys in 2011.

**Discussion with management indicates that CBA plans on drilling up to 2,500m on the Plomp Farm property in 2012.** Drill targets will be based on 2010, and historical ground work, and geophysics, targeting extensions of the known mineralization, as well as new trends identified in the updated geological model.

**We believe both properties under exploration by CBA show promise, but they need further, exploration and drilling to advance the projects towards the resource estimation stage.**

***Update on  
Sudbury Area  
Properties***

**Parkin Offset Property**

Since our initial report, the 50:50 JV between CBA, Wallbridge, and Wallbridge's partner, Impala Platinum of South Africa (OTC: IMPUY), was amended for the Parkin property. The date by which Wallbridge must spend \$2,000,000 on the claims, a requirement to earning a 50% interest, was pushed back from April 10, 2010, to August 19, 2011. Wallbridge can earn a further 25% interest, to a total of 75%, by completing a definitive Feasibility Study (FS). **This agreement, we believe, allows for the project to be carried through to the feasibility stage without placing financial demands on CBA, as well as providing partners for the long-term advancement of the project.**

The JV was finalized during the 2011 exploration season, when Wallbridge accomplished exploration expenditures in excess of \$2,000,000. The 2011 work included three drill holes, totaling 1,660m, surfacing trenching and mapping. This is in addition to the three 2010 drill holes (totaling 2,543m) and the two 2009 drill holes (totaling 1,507m).

One hole from the 2010 drill program intersected disseminated sulphides and a gold bearing zone over 18m that includes 1.4m at 44.01 g/t Au. **This is a promising intersection as the presence of sulphides is a strong indicator that the rock can be gold bearing, and opens the possibility for more high grade gold intersections to be found.** Management states that this gold anomaly has not been followed up on as the property is primarily a Ni-Cu-PEG project.

The 2009 holes were located on the Brady property (part of the Parkin Offset) and intersected favourable offset dyke geology at the RIM-A target.

**We believe the JV with Wallbridge will allow for further exploration, in conjunction with Wallbridge, and Impala's adjacent claims, with the greatest mineralization potential in the area of the Brady Showing.**

**North Range Properties**

Since our initial report, CBA participated in the 2009, 2010, and 2011, exploration programs on the Hess, Iron Mask and Ermatinger projects, which make up the North Range Properties, but the company's management failed to see any significant results from these exploration programs. Hess and Ermatinger are 50:50 JV partners with Wallbridge. Wallbridge performed geophysical surveys on the Hess property in 2010 and 2011.

Although CBA initially announced intentions for the 2012 exploration season in March 2012,

the company has now dropped out of exploration participation on the Hess and Ermatinger JV properties, as of June 15, 2012. This has resulted in CBA's interest in the Ermatinger property being dropped down to 48.5%, and the Hess property has been reverted to a 1.5% royalty.

**We believe this is a good decision by CBA as it will allow the company to focus time and financing on the Eagle Rock and Plomp Farm projects.**

### **Financials**

At the end of Q1-2012 (March 31, 2012), the company had **\$0.05 million, and negative \$0.20 million, in cash, and working capital**, respectively. The company reported a net loss of \$0.19 million (EPS: -\$0.00) during the first three months of FY2012. We estimate the company had a burn rate (spending on operating and investing activities) of **\$0.06 million per month** during Q1-2012. The following table shows the company's cash and liquidity position as of March 31, 2012.

<b>Liquidity Position (C\$)</b>	<b>2011</b>	<b>2012-(3M)</b>
Cash and Equivalents	190,465	47,316
Working Capital	(12,383)	(195,770)
Current Ratio	0.95	0.37
LT Debt	-	-
LT Debt/Asset	-	-
Burn Rate	(86,029)	(63,406)

**In March 2012, the company announced its plans to raise up to \$0.75 million by issuing 5 million shares at \$0.15 per share.** On May 24, the company announced it raised \$0.08 million by issuing 0.55 million common shares at \$0.15 per share. **The company is currently trying to complete the rest of the financing – which is essential for the company to pay out its payables and fund exploration.** A significant portion of the payables is due to Wallbridge. As they are CBA's JV partner, we think the company might be able to delay the payables in case the company is unable to complete the proposed financing.

**Stock options and warrants:** We estimate the company currently has **3.85 million stock options outstanding with a weighted average exercise price of \$0.40.** At this time, **none of the options** are in the money. The company currently has **no warrants outstanding.**

### **Valuation and Rating**

In our initiating report, we had evaluated CBA's shares based on its peer average Enterprise Value to mineral assets (book value). Although the company has identified two new zones at the Eagle Rock project, and has plans to drill up to 2,500m on the Plomp Farm property, the development of the projects has been slow since our initial report in 2009. Both projects show promise, but they are still in early stages and we do not believe estimating a value is prudent at this time. **We therefore assign no rating/valuation on CBA at this time.** We will continue to monitor the company's developments and assign a rating as soon as we have enough information to quantify the potential of the company's projects.

**Risks**

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The company currently has no operating mines.
- Projects have no NI43-101 resource estimates.
- The value of the company depends heavily on commodity prices.
- Access to capital and share dilution.
- The success of drilling, project development and resource identification and expansion are important long term success factors for these early projects.

**Fundamental Research Corp. Equity Rating Scale:****Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk**Hold** – Annual expected rate of return is between 5% and 12%**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.**Fundamental Research Corp. Risk Rating Scale:****1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.**Disclaimers and Disclosure**

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