



Bonterra Resources Inc.

Financial Statements

For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)



Bonterra Resources Inc.

For the Years Ended December 31, 2022 and 2021

**INDEX**

**Page**

**Financial Statements**

Management's Responsibility for Financial Reporting

Independent Auditor's Report to the Shareholders

Statements of Financial Position 1

Statements of Comprehensive Loss 2

Statements of Changes in Equity 3

Statements of Cash Flows 4

Notes to the Financial Statements 5-34

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying financial statements of Bonterra Resources Inc. (the "Company") are the responsibility of the management and Board of Directors of the Company.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards ("IFRS"). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Company maintains systems of internal control that are designed by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Marc-Andre Pelletier" (signed)

Chief Executive Officer

"Pier-Elise Hebert-Tremblay" (signed)

Chief Financial Officer

## Independent Auditor's Report

To the Shareholders of Bonterra Resources Inc.

### Opinion

We have audited the financial statements of Bonterra Resources Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2022 and December 31, 2021 and the statements of comprehensive loss, changes in equity and cash flow 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 December 31, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements which describes the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### 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 year ended December 31, 2022. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be a key audit matter to be communicated in our report. 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.

#### Property, plant and equipment

As of December 31, 2022, the carrying amount of Company's property, plant and equipment was approximately \$20.4 million. In accordance with IFRS, management is required to test for impairment whenever there is an indication that these assets may be impaired or reversal of a past impairment whenever there is an indication that the assets are no longer impaired. During the year ended December 31, 2022, management performed an assessment on impairment of the assets and recorded an impairment of \$16.54 million as described in Note 10 of the financial statements.

### **Why the matter was determined to be a key audit matter**

We considered this a key audit matter due to the significance of the property, plant and equipment balance and significant estimates applied by management in its assessment of fair value, which resulted in a higher degree of subjectivity in performing audit procedures related to these judgments applied by management.

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

Our procedures related to the evaluation of the impairment of property, plant and equipment included, among others:

- We obtained an understanding of management's procedures related to the impairment indication assessment and determination of fair values;
- We assessed the qualifications, competence, and objectivity of the Company's internal and external experts who were involved in the determination of fair values and salvage value of certain material plant and equipment;
- We compared the key input data applied to the estimates to source documents; and
- We evaluated the reasonableness of the key assumptions.

### **Asset retirement obligations**

The Company recognizes asset retirement obligations ("ARO") for future reclamation efforts related to current and past sites. As described in Note 16 to the financial statements, the ARO totaled \$6.53 million at December 31, 2022. We identified the Company's ARO estimate as a key audit matter.

### **Why the Matter is a Key Audit Matter**

We considered the Company's ARO a key audit matter due to high professional judgment by management when assessing this obligation, including the assessment of the nature and extent of future work to be performed, the future cost of performing the rehabilitation work, the timing of when the rehabilitation will take place and economic assumptions such as the discount rate and inflation rates applicable to future cash outflows associated with rehabilitation activities to bring them to their present value. Auditing these assumptions involved especially challenging and subjective audit judgment due to the nature and extent of audit effort required to address these matters.

### **How the Key Audit Matter was Addressed in the Audit**

In responding to the key audit matter, we performed the following audit procedures, amongst others:

- We obtained an understanding of management's process to develop their ARO estimate;
- We engaged a subject matter expert to assist us in the evaluation of the assumptions, methodology and data used by the Company;
- We evaluated the methodology used, and tested the significant assumptions in the ARO calculations;
- We compared assumptions including the risk-free rate and inflation rate to current market data;
- We performed recalculation to verify the accuracy of the estimate; and
- We evaluated the adequacy of the Company's disclosures relating to rehabilitation obligations.

### **Other Information**

Management is responsible for the other information. The other information comprises:

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

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

Management is responsible for the preparation and fair presentation of the 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.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and,

based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

**"Crowe MacKay LLP"**

**Chartered Professional Accountants  
Vancouver, Canada  
April 20, 2023**

Bonterra Resources Inc.  
 Statements of Financial Position  
 (Expressed in Canadian Dollars)

<b>As at December 31,</b>	<b>2022</b>		<b>2021</b>	
<b>Assets</b>				
<b>Current</b>				
Cash (note 18)	\$	7,394,113	\$	4,479,221
Marketable securities (note 7)		60,000		60,000
Receivables (note 8)		2,974,285		2,110,547
		<b>10,428,398</b>		6,649,768
Security and contract deposits (note 9)		1,689,252		1,690,552
Property, plant and equipment (note 10)		20,445,090		38,021,449
	\$	<b>32,562,740</b>	\$	46,361,769
<b>Liabilities</b>				
<b>Current</b>				
Trade and other payables (notes 12 and 13)	\$	6,576,871	\$	5,335,221
Current portion of long-term debt (note 14)		51,740		64,243
Flow-through premium liability (note 15)		3,940,144		2,998,000
		<b>10,568,755</b>		8,397,464
Asset retirement obligations (note 16)		6,534,000		5,987,000
Long-term debt (note 14)		645		52,385
		<b>17,103,400</b>		14,436,849
<b>Shareholders' Equity</b>				
Share Capital (note 17)		277,330,901		260,730,776
Share-based Payments Reserve (note 17)		20,252,388		18,681,388
Deficit		(282,123,949)		(247,487,244)
		<b>15,459,340</b>		31,924,920
	\$	<b>32,562,740</b>	\$	46,361,769

Going Concern (note 2)

Commitments and Contingent Liabilities (note 21)

Subsequent Events (notes 8 and 17)

Approved on behalf of the Board:

*"Peter O'Malley"*  
 ..... Director  
 Peter O'Malley

*"Matthew Happyjack"*  
 ..... Director  
 Matthew Happyjack

The accompanying notes are an integral part of these financial statements.

Bonterra Resources Inc.  
Statements of Comprehensive Loss  
(Expressed in Canadian Dollars)

<b>For the year ended December 31,</b>	<b>2022</b>	<b>2021</b>
<b>Expenses</b>		
Exploration and evaluation (notes 10 and 11)	\$ 11,957,075	\$ 31,321,772
Mill and mine care and maintenance (note 10)	6,922,600	2,357,834
Salaries, management and director fees (note 13)	2,617,747	943,955
Office, general and other	351,017	201,707
Professional fees (note 13)	654,910	485,589
Rent	66,100	74,332
Share-based payments (notes 13 and 17)	1,657,000	1,861,000
Shareholder communications and investor relations	329,072	495,891
Transfer agent and filings fees	102,110	111,040
Travel	41,239	41,422
<b>Loss Before Other Items</b>	<b>(24,698,870)</b>	<b>(37,894,542)</b>
<b>Other Items</b>		
Impairment of property, plant and equipment (note 10)	(16,544,757)	-
Miscellaneous revenue	270,747	-
Recovery of flow-through premium liability (note 15)	6,183,856	6,065,000
Net interest income	299,319	52,218
Accretion expense (note 16)	(147,000)	(143,000)
<b>Net Loss and Comprehensive Loss for the year</b>	<b>\$ (34,636,705)</b>	<b>\$ (31,920,324)</b>
<b>Basic and Diluted Loss Per Share</b>	<b>\$ (0.28)</b>	<b>\$ (0.31)</b>
<b>Weighted Average Number of Common Shares Outstanding – Basic and Diluted (000's)</b>	<b>123,382</b>	<b>101,529</b>

The accompanying notes are an integral part of these financial statements.

Bonterra Resources Inc.  
Statements of Changes in Equity  
(Expressed in Canadian Dollars)

	Share Capital		Share-based Payments Reserve	Deficit	Total
	Number of Shares	Share Capital			
Balance, December 31, 2020	90,552,000	\$ 242,523,018	\$ 16,820,388	\$ (215,566,920)	\$ 43,776,486
Private placements	20,705,000	29,136,750	-	-	29,136,750
Flow-through premium liability	-	(9,063,000)	-	-	(9,063,000)
Share issue costs	-	(1,865,992)	-	-	(1,865,992)
Share-based payments	-	-	1,861,000	-	1,861,000
Net loss and comprehensive loss for the year	-	-	-	(31,920,324)	(31,920,324)
<b>Balance, December 31, 2021</b>	<b>111,257,000</b>	<b>260,730,776</b>	<b>18,681,388</b>	<b>(247,487,244)</b>	<b>31,924,920</b>
Private placements	14,788,500	25,020,060	-	-	25,020,060
Flow-through premium liability	-	(7,126,000)	-	-	(7,126,000)
Share issue costs	-	(1,553,935)	-	-	(1,553,935)
Exercise of options	150,000	174,000	-	-	174,000
Transfer of reserve on exercise of options	-	86,000	(86,000)	-	-
Share-based payments	-	-	1,657,000	-	1,657,000
Net loss and comprehensive loss for the year	-	-	-	(34,636,705)	(34,636,705)
<b>Balance, December 31, 2022</b>	<b>126,195,500</b>	<b>\$ 277,330,901</b>	<b>\$ 20,252,388</b>	<b>\$ (282,123,949)</b>	<b>\$ 15,459,340</b>

The accompanying notes are an integral part of these financial statements.

Bonterra Resources Inc.  
Statements of Cash Flows  
(Expressed in Canadian Dollars)

<b>For the year ended December 31,</b>	<b>2022</b>	<b>2021</b>
<b>Operating Activities</b>		
Net loss for the year	\$ (34,636,705)	\$ (31,920,324)
Items not involving cash		
Depreciation	1,072,000	1,403,000
Impairment of property, plant and equipment	16,544,757	-
Share-based payments	1,657,000	1,861,000
Recovery of flow-through premium liability	(6,183,856)	(6,065,000)
Marketable securities received for services	-	(40,000)
Accretion expense	147,000	143,000
Change in estimate for asset retirement obligations	400,000	-
Vehicle exchanged for services	88,127	-
Changes in non-cash working capital		
Receivables	(863,738)	(560,395)
Inventory	-	932,104
Security and contract deposits	1,300	212,048
Trade and other payables	1,241,650	(539,993)
<b>Cash Used in Operating Activities</b>	<b>(20,532,465)</b>	<b>(34,574,560)</b>
<b>Investing Activities</b>		
Purchase of property, plant and equipment, net of sales	(128,525)	(53,127)
<b>Cash Used in Investing Activities</b>	<b>(128,525)</b>	<b>(53,127)</b>
<b>Financing Activities</b>		
Shares issued for cash	25,020,060	29,136,750
Shares issuance costs	(1,553,935)	(1,865,992)
Proceeds received on exercise of options	174,000	-
Repayment of long-term debt	(64,243)	(604,030)
<b>Cash Provided from Financing Activities</b>	<b>23,575,882</b>	<b>26,666,728</b>
<b>Inflows (outflow) of Cash</b>	<b>2,914,892</b>	<b>(7,960,959)</b>
<b>Cash, Beginning of Year</b>	<b>4,479,221</b>	<b>12,440,180</b>
<b>Cash, End of Year</b>	<b>\$ 7,394,113</b>	<b>\$ 4,479,221</b>

Supplemental Disclosure with Respect to Cash Flows (note 18)

The accompanying notes are an integral part of these financial statements.

## 1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Bonterra Resources Inc. (the “Company”) is an exploration stage company incorporated on May 1, 2007, under the laws of the province of British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties in the province of Québec, Canada. The Company’s common shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “BTR”. The Company’s shares also trade on the OTC Exchange in the United States under the symbol “BONXF” and on the Frankfurt Stock Exchange under the symbol “9BR2”. The Company’s head office and principal business address is 2872 Sullivan Rd, Suite 2 Val-d’Or, Quebec, Canada, J9P 0B9.

## 2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company incurred a comprehensive loss of \$34,636,705 for the year ended December 31, 2022 (Year ended December 31, 2021 - \$31,920,324) and has an accumulated deficit of \$282,123,949 at December 31, 2022 (December 31, 2021 - \$247,487,244). As at December 31, 2022, the Company had working capital deficiency of \$140,357 (December 31, 2021 - working capital deficiency of \$1,747,696). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon the existence of economically recoverable mineral resources, the ability to fund its existing acquisition and exploration commitments on its exploration and evaluation properties when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation properties or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

On March 11, 2020, the World Health Organization declared “COVID-19” a global pandemic which continues during the year ended December 31, 2021 and into 2022. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods. In addition, the Company’s business financial condition and results of operations may be further affected by economic and or other consequences from Russia’s military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and on the mining industry and other industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. It is not possible to reliably estimate the length and severity of these developments and the impact on its business, results of operations, financial position and cash flows in the future.

### 3. BASIS OF PREPARATION

a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 19, 2023.

b) Basis of measurement

These financial statements have been prepared under the historical cost basis, except for financial instruments classified as fair value through profit or loss (“FVTPL”). These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

### 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently throughout by the Company for purposes of these financial statements.

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits with financial institutions, and other short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. The Company does not hold any cash equivalents as at December 31, 2022 (December 31, 2021 - \$nil).

b) Exploration and evaluation expenditures

Exploration and evaluation expenditures, including acquisition costs, are expensed in the year in which they are incurred. Mining exploration tax credits for certain exploration expenditures incurred are recorded against exploration and evaluation expenditures when it has been reviewed by the relevant authorities.

Mineral property acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of mineral property acquisition costs, they are valued at the closing share price on the date of issuance. Payments related to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded upon payment.

Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development and development costs are capitalized to “mines under construction” on the statement of financial position.

c) Asset retirement obligations

An obligation to incur decommissioning and site rehabilitation costs (“Asset retirement obligations”) occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Asset retirement obligations are recorded as liabilities when those obligations are incurred and are measured as the present value, if a reasonable estimate of the expected costs to settle the liability can be determined, discounted at a current pre-tax rate specific to the liability. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings while changes resulting from the revisions to either the timing or the amount of the original estimate of the undiscounted cash flows are accounted for as part of the carrying amount of the related long-lived asset. The carrying amount of the Asset retirement obligations is reviewed to reflect current estimates and changes in the discount rate.

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

d) Property, plant and equipment

Mine development expenditures

Mine development costs, which include vertical and horizontal development of the mine infrastructure, incurred after the commencement of production are capitalized to the extent that these costs benefit the entire deposit. Costs incurred to access single areas of the deposit are expensed as incurred.

Plant and equipment

The initial cost of an asset is comprised of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and the borrowing costs incurred during its construction for the asset. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Repairs and maintenance of plant and equipment are expensed as incurred. Costs incurred to enhance the service potential of plant and equipment are capitalized and depreciated over the remaining useful life of the improved asset.

Depreciation and depletion

Management determines the appropriate method to depreciate mining assets over their estimated useful life taking into account the nature of a particular deposit and the method of mining that deposit. To achieve this, the following calculation method is used:

The major categories of property, plant and equipment are depreciated on a units-of-production, straight-line basis or declining balance as follows:

Mill infrastructure and related equipment	5 – 15 years straight line and unit-of-production
Underground infrastructure and related equipment	5 – 15 years straight line and unit-of-production
Exploration and related equipment	10% declining balance
Office equipment	20% declining balance

The residual value, depreciation method and the useful life of each asset are reviewed at least at each reporting period.

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

e) Royalties payable

Royalties payable are recognized initially at fair value in accordance with the terms of each royalty agreement.

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

f) Commercial production

The Company assesses the stage of each mine site to determine when a mine has moved into the commercial production phase. During the production phase of a mine, costs incurred relating to mining assets, additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate.

g) Financing fees

**Bonterra Resources Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

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The financing fees related to long-term debt are presented as an offset to long-term debt and amortized using the effective interest rate method.

h) Provisions and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

i) Revenue recognition

When in production, the Company's primary product is gold; other metals produced as part of the extraction process are considered to be by-products arising from the production of gold. Revenue relating to the sale of metals is recognized when control of the metal or related services are transferred to the customer in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. In determining whether the Company has satisfied a performance obligation, it considers the indicators of the transfer of control, which include, but are not limited to, whether: the Company has a present right to payment; the customer has legal title to the asset; the Company has transferred physical possession of the asset to the customer; and the customer has the significant risks and rewards of ownership of the asset.

When completing a bulk sample for exploration purposes, the Company's primary product remains gold; other metals produced as part of the extraction process are considered to be by-products arising from the production of gold. The net realizable value of the metals is recorded as a reduction of exploration and evaluation expenditures once the metals are poured into a doré bar, with such value being recorded as inventory until the sale of metals is recognized when control of the metal or related services are transferred to the customer in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. In determining whether the Company has satisfied a performance obligation, it considers the indicators of the transfer of control, which include, but are not limited to, whether: the Company has a present right to payment; the customer has legal title to the asset; the Company has transferred physical possession of the asset to the customer; and the customer has the significant risks and rewards of ownership of the asset.

Revenue also includes consideration relating to shipping and insurance services that the Company arranges and pays for on behalf of customers as required by the terms of certain of the Company's concentrate agreements to bring the goods to the named destination. The Company considers the portion of shipping and insurance services provided after the transfer of control of the concentrate as distinct performance obligations. Accordingly, the Company apportions consideration attributable to these services based on a relative stand-alone pricing basis. The consideration is deferred and recognized over time as the obligations are fulfilled.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### j) Leases

At inception of a contract, the Company assesses whether the contract is or contains a lease.

At the commencement of the lease, the Company recognizes a right-of-use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The right-of-use asset at inception includes the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is recorded in selling, general, and administrative expenses for all assets except leases of rental equipment, where depreciation is recorded in cost of sales in the statement of comprehensive loss. Depreciation is recorded on a straight-line basis over the shorter of the term of the lease or the estimated useful life of the underlying asset, commencing when the asset becomes available for use.

Right-of-use assets are reviewed for indicators of impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. Where an impairment loss is recognized for a right-of-use asset, the asset is reviewed for possible reversal of the impairment at the end of each subsequent reporting period.

The lease liability is initially measured at the present value of the remaining lease payments that have not been paid at the commencement date, discounted by using the Company's incremental borrowing rate unless the rate implicit in the lease is readily determinable.

Lease payments over the estimated lease term included in the measurement of the lease liability comprise:

- Fixed lease payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and,
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term changes or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to a change in an index, rate, or expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or,
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Leases (Continued)

The right-of-use asset is presented within property, plant, and equipment and the lease liability is presented within long-term debt (current portion) and long-term debt (non-current portion) on the statement of financial position.

***Short-term leases and leases of low-value assets***

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a term of 12 months or less and leases of low-value assets. The Company recognizes these lease payments as an expense on a straight-line basis over the lease term.

l) Borrowing costs

Interest and other financing costs that are directly attributable to the acquisition or construction of an asset are capitalized. Capitalization of borrowing costs ceases when all the activities necessary to prepare the asset for its intended use or sale are substantially complete.

To the extent that funds are part of general borrowing or are borrowed specifically for the purpose of constructing an asset, the amount of borrowing costs eligible for capitalization on that asset is determined as the actual borrowing costs incurred on that borrowing during the period. Interest earned on the temporary investment of borrowed funds is deducted from interest paid on the borrowed funds in arriving at the amounts so capitalized.

These costs are amortized on the same basis as the asset. No amounts were capitalized during the last two financial periods.

m) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

n) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, share purchase warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted a pro rata method with respect to the measurement of shares and warrants issued as private placement units. The pro rata method requires each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components.

The fair value of the common shares is based on the closing quoted bid price on the announcement date and the fair value of the common share purchase warrants is determined at the announcement date using the Black-Scholes option pricing model. The fair value attributed to the warrants is recorded in equity reserves.

o) Earnings (loss) per share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

p) Flow-through shares

The Company will from time to time issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as recovery of flow-through premium liability and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are required to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until paid.

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

q) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in share-based payments reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in share-based payments reserve is transferred to share capital.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. The amounts recorded in reserve for unexercised share options remain in share-based payments reserve upon their expiry or cancellation.

r) Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at every reporting period. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable and at least annually. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive income/loss.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### s) Financial instruments

###### i) Classification

The Company classifies its financial instruments in the following categories: at FVTPL, at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Cash and marketable securities are classified as FVTPL, and are initially measured at fair value less transaction costs. They are subsequently measured at fair value and net gains/losses are recognized in profit or loss in the statement of comprehensive loss.

Receivables, security and contract deposits, trade and other payables, and long-term debt are classified as amortized cost, and are initially measured at fair value. They are subsequently measured at amortized cost.

There are no financial assets classified as "FVOCI".

###### ii) Measurement

###### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

###### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the statement of comprehensive loss in the period in which they arise.

###### *Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss in the statement of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

###### iii) Derecognition

###### *Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Future accounting policies and policies adopted

(i) New accounting standard adopted during the period

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – ie. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – ie. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022. This amendment did not have a material impact on the Company’s financial statements.

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022. This amendment did not have a material impact on the Company’s financial statements.

(ii) New accounting standards not yet effective and not yet applied

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2022 and, accordingly, have not been applied in preparing these financial statements. The Company has assessed the impact of the application of these standards or amendments on the financial statements of the Company and does not expect them to have a material impact on the financial statements of the Company once adopted.

IAS 1 was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates (effective January 1, 2023). The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

#### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Future accounting policies and policies adopted (Continued)

(ii) New accounting standards not yet effective and not yet applied (Continued)

Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies (effective January 1, 2023)

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively.

#### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

##### *Critical judgments in applying accounting policies*

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next fiscal year are discussed below.

a) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)**

b) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

c) Going concern risk assessment

The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation properties when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

d) Provisions and contingent liabilities

Judgements are made as to whether a past event has led to a liability that should be recognized in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received from previous experience and the probability of a loss being realized. Several of these factors are a source of estimated uncertainty.

e) Establishing cash-generating units ("CGU")

For the purpose of assessing impairment of its long-term assets, the Company determines the CGU, defined as being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The determination of the CGU and the classification of the Company's assets to the determined CGU require significant judgement having a potentially significant incidence on the result of the subsequent impairment analysis. The Company periodically reviews the determination of the CGU and the corresponding grouping of the Company's assets, including its assets classified as common assets.

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)**

f) Impairment of long-term assets

The evaluation if an impairment test in accordance with IAS 36 needs to be performed on its long-term assets requires judgement in determining whether it is likely that future economic benefits will be achieved at certain mining properties, which may be based on assumptions about future events or circumstances. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written down in the statement of comprehensive loss in the period when the new information becomes available. In 2022, the Bachelor mine was flooded and an impairment was performed according to IAS 36.

*Key sources of estimation uncertainty*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the financial statements.

a) Asset retirement obligations

The Company assesses its asset retirement obligations annually. Determining these obligations requires significant estimates and assumptions due to the numerous factors that affect the amount ultimately payable. Such factors include estimates of the scope and cost of restoration activities, legislative amendments, known environmental impacts, the effectiveness of maintenance and restoration measures and changes in the discount rate. This uncertainty may lead to differences between the actual expense and the allowance. At the date of the statement of financial position, asset retirement obligations represent management's best estimate of the charge that will result when the actual obligations are terminated.

b) Valuation of flow-through premium

The determination of the valuation of flow-through premium and warrants in equity units is subject to significant judgment and estimates. The flow-through premium is valued as the estimated premium that investors pay for the flow-through feature, being the portion in excess of the market value of shares without the flow-through feature issued in concurrent private placement financing. In cases where the Company does not know the non-flow-through share value compared to the flow-through shares issued, the market value of shares without the flow-through feature will be determined using the Company's closing quoted bid price.

**Bonterra Resources Inc.**  
**Notes to the Financial Statements**  
For the Years Ended December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

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**6. FINANCIAL INSTRUMENTS**

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash and marketable securities are classified as FVTPL; receivables and security and contract deposits as amortized cost; and trade and other payables, and long-term debt as amortized cost.

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

- 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 following table sets forth the Company's financial assets measured at fair value by levels within the fair value hierarchy as at December 31, 2022 and 2021:

<b>December 31, 2022</b>	Level 1	Level 2	Level 3	Total
Cash	\$ 7,394,113	\$ -	\$ -	\$ 7,394,113
Marketable securities	\$ 50,000	\$ -	\$ 10,000	\$ 60,000
December 31, 2021	Level 1	Level 2	Level 3	Total
Cash	\$ 4,479,221	\$ -	\$ -	\$ 4,479,221
Marketable securities	\$ 50,000	\$ -	\$ 10,000	\$ 60,000

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. Included in receivables is \$2,634,857 (December 31, 2021 - \$2,064,861) owing from the Canada Revenue Agency and Revenu Québec. Management of the Company believes it has minimal credit risk. Remaining receivables are due from third party customers.

b) 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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The current financial liabilities of the Company as of December 31, 2022 equal \$10,568,755 (December 31, 2021 - \$8,397,464).

## 6. FINANCIAL INSTRUMENTS (Continued)

### c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

- i) *Currency risk* – The Company has no funds held in a foreign currency, and as a result, is not exposed to significant currency risk on its financial instruments at period-end.
- ii) *Interest rate risk* – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates. Long-term debt bears interest at fixed rates, the Company is not exposed to the risk of changes in fair value arising from interest rate fluctuations.
- iii) *Other price risk* – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is exposed to other price risk on its marketable securities and the gold price.

### d) Capital management

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company manages the capital structure and makes adjustments to it 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 attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

The Company considers its capital to be equity, which is comprised of share capital, share based payments reserve and deficit, which as at December 31, 2022 totalled \$15,459,340 (December 31, 2021 – \$31,924,920).

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX-V which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the years ended December 31, 2022, and 2021.

## 7. MARKETABLE SECURITIES

As at December 31, 2022, marketable securities consisted of shares in publicly-traded or reporting issuer companies with a cost of \$60,000 (December 31, 2021 - \$60,000) and a fair value of \$60,000 (December 31, 2021 - \$60,000).

Bonterra Resources Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

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**8. RECEIVABLES**

<b>As at,</b>	<b>December 31, 2022</b>	December 31, 2021
Sales tax receivable	\$ 1,162,689	\$ 2,064,861
Exploration tax credits receivable	1,472,168	-
Other receivables	339,428	45,686
<b>Total receivables</b>	<b>\$ 2,974,285</b>	<b>\$ 2,110,547</b>

Below is an aged analysis of the Company's other receivables:

<b>As at,</b>	<b>December 31, 2022</b>	December 31, 2021
1 - 90 days	\$ 339,428	\$ 45,686
<b>Total other receivables</b>	<b>\$ 339,428</b>	<b>\$ 45,686</b>

At December 31, 2022 and 2021, the Company anticipates full recovery of these receivables and therefore no allowance has been recorded against these receivables. The credit risk on the receivables has been further discussed in note 6(a). The Company holds no collateral for any receivable amounts outstanding as at December 31, 2022 and 2021. Subsequent to December 31, 2022, the Company has received all of the other receivables outstanding as at December 31, 2022 as well as \$772,751 of sales taxes receivable and the full amount of exploration tax credits receivable as at December 31, 2022.

**9. SECURITY AND CONTRACT DEPOSITS**

As at December 31, 2022, the Company had \$1,689,252 (December 31, 2021 - \$1,690,552) in deposits with the Government of Quebec for the settlement of asset retirement obligations and security deposits, comprised of \$143,300 (December 31, 2021 - \$144,600) in deposits with Hydro Quebec and \$1,545,952 (December 31, 2021 - \$1,545,952) to a third party insurance provider to cover the Company's bonds with the Government of Quebec. During the year ended December 31, 2020, the Company engaged an insurance provider to cover the Company's bonds with the Government of Quebec. Under this arrangement, the Company was required to put 40% of the bonds value up as collateral to the insurance provider being \$1,758,000. In return, the Company received the deposits with the Government of Quebec of \$4,395,001. During the year ended December 31, 2021, the insurance provider agreed to reduce the collateral required from 40% of the bonds value to 30%. As a result, \$439,500 was received by the Company.

During the year ended December 31, 2021, the Company's closure plan related to its Barry property was reviewed and approved and as a result, the Company is required to increase its bonding requirements as follows: \$758,173 by September 2021 (completed during the year ended December 31, 2021 through a third party insurance provider using 30% collateral), \$379,085 by September 2022 (completed during the year ended December 31, 2022 with no additional collateral required) and \$379,085 by September 2023.

Bonterra Resources Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

**10. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>	<b>Mill infrastructure and related equipment</b>	<b>Underground infrastructure and related equipment</b>	<b>Exploration and related equipment</b>	<b>Total</b>
Balance, December 31, 2020	\$ 11,863,770	\$ 22,195,400	\$ 9,075,652	\$ 43,134,822
Additions	-	-	93,127	93,127
Disposals	-	-	(46,000)	(46,000)
<b>Balance, December 31, 2021</b>	<b>11,863,770</b>	<b>22,195,400</b>	<b>9,122,779</b>	<b>43,181,949</b>
<b>Additions</b>	<b>-</b>	<b>-</b>	<b>128,525</b>	<b>128,525</b>
<b>Transfer</b>	<b>-</b>	<b>(200,000)</b>	<b>200,000</b>	<b>-</b>
<b>Disposals</b>	<b>-</b>	<b>-</b>	<b>(93,127)</b>	<b>(93,127)</b>
<b>Impairment</b>	<b>(115,000)</b>	<b>(16,313,900)</b>	<b>(287,000)</b>	<b>(16,715,900)</b>
<b>Balance, December 31, 2022</b>	<b>\$ 11,748,770</b>	<b>\$ 5,681,500</b>	<b>\$ 9,071,177</b>	<b>\$ 26,501,447</b>
<b>Depreciation</b>				
Balance, December 31, 2020	\$ 528,600	\$ 1,291,300	\$ 1,943,600	\$ 3,763,500
Depreciation	200,000	489,000	714,000	1,403,000
Disposals	-	-	(6,000)	(6,000)
<b>Balance, December 31, 2021</b>	<b>728,600</b>	<b>1,780,300</b>	<b>2,651,600</b>	<b>5,160,500</b>
<b>Depreciation</b>	<b>157,000</b>	<b>290,000</b>	<b>625,000</b>	<b>1,072,000</b>
<b>Transfer</b>	<b>-</b>	<b>(64,700)</b>	<b>64,700</b>	<b>-</b>
<b>Disposals</b>	<b>-</b>	<b>-</b>	<b>(5,000)</b>	<b>(5,000)</b>
<b>Impairment</b>	<b>(41,285)</b>	<b>(98,700)</b>	<b>(31,158)</b>	<b>(171,143)</b>
<b>Balance, December 31, 2022</b>	<b>\$ 844,315</b>	<b>\$ 1,906,900</b>	<b>\$ 3,305,142</b>	<b>\$ 6,056,357</b>
Net book value, December 31, 2021	\$ 11,135,170	\$ 20,415,100	\$ 6,471,179	\$ 38,021,449
<b>Net book value, December 31, 2022</b>	<b>\$ 10,904,455</b>	<b>\$ 3,774,600</b>	<b>\$ 5,766,035</b>	<b>\$ 20,445,090</b>

During the year ended December 31, 2022, the Company elected to put the underground infrastructure at the Bachelor-Moroy deposit under long-term care and maintenance. As part of this process, the Company salvaged all the underground infrastructure and related equipment that still had future value for the Company. As a result of this process, the Company recorded an impairment of property, plant and equipment of \$16,544,757 (2021 - \$Nil) during the year ended December 31, 2022.

Depreciation for the year ended December 31, 2022 is reflected as \$526,000 (2021 - \$1,203,000) recorded in exploration and evaluation expenditures and \$546,000 (2021 - \$200,000) recorded in mill and mine care and maintenance costs on the statements of comprehensive loss.

**11. EXPLORATION AND EVALUATION PROPERTIES**

a) Gladiator Property

(i) Coliseum Property

During the year ended May 31, 2010, the Company acquired a 100% interest in claim blocks in Québec near the Windfall Lake gold project. The property is subject to a 2% net smelter returns royalty ("NSR") of which 0.5% can be purchased by the Company for \$1,000,000.

**11. EXPLORATION AND EVALUATION PROPERTIES (Continued)**

a) Gladiator Property (Continued)

(ii) *West Arena Property*

The Company entered into an option agreement on September 15, 2010, and as amended on February 8, 2011 and March 19, 2012, to acquire a 100% interest in additional mineral claims adjacent to the Coliseum property in Québec.

The agreement is subject to a 2% NSR of which 1% can be purchased for \$500,000.

On November 7, 2013, the Company sold an additional 1% NSR.

(iii) *East Arena Property*

On December 30, 2010, the Company closed a property purchase agreement entered into on December 10, 2010 to acquire a 100% interest in mineral claims east of the Urban-Barry Township in Québec. The agreement is subject to a 2% NSR of which 1% may be purchased for \$1,000,000.

(iv) *St-Cyr Property*

On February 23, 2016, the Company entered into an agreement to acquire a 100% interest in the St-Cyr property, located in Québec. The vendor retains a 2% NSR, of which 1% can be purchased by the Company for \$1,000,000.

(v) *West Lacroix Lake Property*

On February 23, 2016, the Company entered into an agreement to acquire a 100% interest in the West Lacroix Lake property, located in Québec. The vendor retains a 2% NSR, of which 1% can be purchased by the Company for \$1,000,000.

(vi) *Lac Barry Property*

On March 10, 2016, and as amended March 30, 2017, the Company entered into an option agreement with Golden Valley Mines Ltd. ("Golden Valley") (acquired by Gold Royalty Corp. in November 2021) to acquire an 85% interest in Golden Valley's Lac Barry property, located in Québec.

Golden Valley retains a 15% interest in the property and a 3% NSR, of which 1% can be purchased by the Company for \$1,000,000.

(vii) *Macho South Property*

On March 11, 2016, the Company entered into an agreement to acquire a 100% interest in the Macho South property, located in Québec. The vendor retains a 2% NSR, of which 1% can be purchased by the Company for \$1,000,000.

(viii) *Barry Property*

On March 11, 2016, the Company entered into an agreement to acquire a 100% interest in the Barry property, located in Québec. The vendor retains a 2% NSR, of which 1% can be purchased by the Company for \$1,000,000.

**11. EXPLORATION AND EVALUATION PROPERTIES (Continued)**

a) Gladiator Property (Continued)

(ix) *Bailly Property*

On March 11, 2016, the Company entered into an agreement to acquire a 100% interest in the Bailly property, located in Québec. The vendor retains a 2% NSR, of which 1% can be purchased by the Company for \$1,000,000.

(x) *Thubière Property*

On March 10, 2017, the Company entered into an agreement to acquire a 100% interest in the Thubière property, located in Québec.

(xi) *Lac Mista Property*

On March 14, 2017, the Company entered into an agreement to acquire a 100% interest in the Lac Mista property, located in Québec. The vendors retain a 2% gross overriding royalty reserve on the property, of which 1% may be repurchased by the Company for \$1,000,000.

(xii) *Duke Property*

On July 6, 2018, the Company entered into an agreement with Beaufield Resources Inc., which subsequently amalgamated with Osisko Mining Inc. (“Osisko”), to acquire a 70% interest in the Duke property, located in Québec. In consideration, the Company made the payments as follows:

- Cash payment of \$250,000 (paid) and issue 400,000 common shares of the Company (issued on July 12, 2018 and valued at \$1,600,000) upon acceptance by the TSX-V;
- An additional \$250,000 on or before July 6, 2019 (paid); and
- An additional \$250,000 on or before July 6, 2020 (paid).

The Company also completed work commitments totalling at least \$4,500,000, as follows:

- i. a minimum of \$1,500,000 on or before the first anniversary of this Agreement (completed);
- ii. a further \$1,500,000 on or before the second anniversary of this Agreement (completed); and
- iii. a further \$1,500,000 on or before the third anniversary of this Agreement (completed).

The Duke property is subject to an underlying 2.3% NSR, of which 1% can be purchased for \$1,000,000.

During the year ended December 31, 2021, the Company completed the earn in and Osisko and the Company (each a “Party”) formed a joint venture (the “JV”) in which Bonterra was deemed to have contributed \$7,000,000 and Osisko \$3,000,000 respectively, to represent a 70/30 % working interest (the “Working Interest”). Pursuant to the JV, if the Working Interest of any Party is reduced to at or below a 5% Working Interest, the JV will terminate and a termination payment is owed to the party below 5% by either (i) a cash payment of the sum of \$1,500,000; or (ii) such number of shares in the capital of the other Party that is equal in value to \$1,500,000, based upon the current market price on the termination date. During the years ended 2021 and 2022, no participation was incurred by Osisko.

**11. EXPLORATION AND EVALUATION PROPERTIES (Continued)**

a) Gladiator Property (Continued)

*(xiii) Panache Property*

On March 25, 2019, the Company entered into an option agreement to acquire a right to a new property called Panache, consisting of one mining claim covering an area of 56 ha, located 20 km north of the Barry property. The Company acquired the property by making a cash payment of \$25,000 (paid on March 28, 2019) and issued 10,000 common shares (issued on March 28, 2019 and valued at \$19,500) on closing, to the arm's length vendors and an additional cash payment of \$50,000 (paid on March 19, 2020) and 15,000 common shares (issued on March 19, 2020 and valued at \$11,400) before the one-year anniversary of the agreement.

*(xiv) Lapointe Property*

On March 9, 2020, the Company entered into a purchase agreement and acquired a new property called the Lapointe property consisting of nine new claims covering an area of 508 ha, contiguous with the Company's Urban-Barry properties located approximately 10 km southwest of the Barry gold deposit. To acquire the property, the Company made a cash payment of \$10,000.

b) Barry Property

*(i) Barry*

The Company holds a 100% interest in mining lease and titles of the Barry gold deposit. It is subject to a 3% NSR.

*(ii) Barry United*

The Company holds a 100% interest in mining titles located near the Barry gold deposit. It is subject to NSRs of 1% to 4%.

*(iii) Barry Extension*

The Company holds a 100% interest in mining titles located near the Barry gold deposit. It is subject to a 2% NSR, half of which may be repurchased by the Company for \$1,000,000, and the other half at conditions to be agreed upon by the parties.

*(iv) Barry Souart*

The Company holds a 100% interest in mining titles located near the Barry gold deposit. It is subject to a 2% NSR, half of which may be repurchased by the Company for \$500,000, payable in cash or by the issuance of shares at the option of the seller.

Bonterra Resources Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

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**11. EXPLORATION AND EVALUATION PROPERTIES (Continued)**

c) Bachelor Camp Property

(i) *Moroy*

The Company holds a 100% interest in mining titles located near the Bachelor Mill. The whole area is subject to a 1.25% NSR. In addition, certain mining titles are subject to an additional 2% NSR, half of which may be repurchased for \$1,000,000.

(ii) *Nelligan*

The Company holds a 70% interest in mining titles located near the Bachelor Mill. It is subject to a 2% NSR, half of which may be repurchased for \$1,000,000.

(iii) *Coniagas*

The Company holds a 100% interest in a mining lease located near the Bachelor Mill.

(iv) *Waswanipi*

During the year ended December 31, 2020, the Company staked 231 claims north and west of the Bachelor Mill.

d) Other Properties

(i) *Wahnapeitei*

The Company holds a 90% interest in a property comprised of mining leases and concessions located in Sudbury, Ontario. The remaining 10% can be purchased for \$1,000,000.

**NSR's related to exploration properties on the Barry and Bachelor Camp properties:**

On September 29, 2017, Metanor Resources Inc. ("Metanor"), a predecessor company, entered into an amending agreement with Sandstorm Gold Royalties, effectively reducing the then existing gold stream on the Bachelor mine (which required Metanor to sell 20% of its gold production at the fixed price of US \$500 per ounce) and replacing it with a 3.9% NSR on all minerals produced from the Bachelor and Barry properties (including the surrounding exploration properties held by Metanor at September 29, 2017). 2.1% of the NSR can be repurchased upon payment of US \$2M for each property, thereby reducing the NSR to 1.8%.

**Exploration and evaluation expenditures:**

A summary of exploration and evaluation expenditures for the years ended December 31, 2022 and 2021 is as follows:

<b>December 31, 2022</b>	<b>Quebec Properties</b>	<b>Total</b>
Net exploration costs	\$ 11,957,075	\$ 11,957,075
Total exploration and evaluation expenditures	\$ 11,957,075	\$ 11,957,075
<b>December 31, 2021</b>	<b>Quebec Properties</b>	<b>Total</b>
Net exploration costs	\$ 31,321,772	\$ 31,321,772
Total exploration and evaluation expenditures	\$ 31,321,772	\$ 31,321,772

Bonterra Resources Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

**11. EXPLORATION AND EVALUATION PROPERTIES (Continued)**

Included in exploration and evaluation expenditures for the year ended December 31, 2022 is depreciation of \$526,000 (2021 - \$1,203,000). The Company has applied for exploration tax credits for exploration work done between 2020 to 2021. In the event that the Company receives any additional exploration tax credits it has claimed, these amounts will likely increase the amount the Company's flow-through expenditure requirements. The exploration and evaluation expenditures for the year ended December 31, 2022 are net of \$11,761,199 (2021 - \$Nil) in exploration tax credits receivable from Revenu Québec of which \$10,289,031 has been received and \$1,472,168 is receivable as at December 31, 2022.

Included in exploration and evaluation expenditures for the year ended December 31, 2022 is a reduction to exploration and evaluation expenditures from the NRV of precious metals produced or sold from the Company's bulk sample of \$Nil (2021 - \$1,115,994) from the production of Nil (2021 - 472.44) ounces of gold and Nil (2021 - 65.66) ounces of silver.

**12. TRADE AND OTHER PAYABLES**

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is a breakdown of the trade and other payables:

	<b>As at,</b>	
	<b>December 31, 2022</b>	December 31, 2021
Trade payables	\$ 5,211,896	\$ 4,604,934
Accrued liabilities and other payables	1,364,975	730,287
<b>Total trade and other payables</b>	<b>\$ 6,576,871</b>	<b>\$ 5,335,221</b>

**13. RELATED PARTY TRANSACTIONS**

These amounts of key management compensation are included in the amounts shown on the statements of comprehensive loss:

<b>For the year ended December 31,</b>	<b>2022</b>	2021
Short-term compensation		
Salaries, management and director fees	\$ 847,752	\$ 684,000
Professional fees	180,000	360,000
Termination fees paid or accrued in professional fees (Note 21)	240,000	-
Termination fees paid or accrued in salaries, management and director fees (Note 21)	353,127	-
	<b>1,620,879</b>	1,044,000
Share-based payments	1,660,000	1,295,000
	<b>\$ 3,280,879</b>	<b>\$ 2,339,000</b>

Included in trade and other payables at December 31, 2022 was \$55,731 (December 31, 2021 - \$146,000) due to officers and or directors for expense reimbursements, unpaid fees and termination payments. The amounts payable are non-interest-bearing, uncollateralized and are repayable on demand.

Bonterra Resources Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

**14. LONG-TERM DEBT**

As at,	December 31, 2022	December 31, 2021
Loans payable, secured by rolling stock and mining equipment, 0.00%, payable in monthly instalments, from 2023 to 2024	\$ 52,385	\$ 116,628
	<b>52,385</b>	116,628
Current portion of long-term debt	<b>(51,740)</b>	(64,243)
	<b>\$ 645</b>	\$ 52,385

The instalments on long-term debt for the forthcoming years as at December 31, 2022 are as follows:

	Loans payable
2023	\$ 51,740
2024	645
Total minimum payments	\$ 52,385

**15. FLOW-THROUGH PREMIUM LIABILITY**

Flow-through premium liability consists of the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through share issuances.

	Issued During the Year Ended December 31, 2021	Issued During the Year Ended December 31, 2022	Total
Balance, December 31, 2020	\$ -	\$ -	\$ -
Liability incurred on flow through shares issued April 2021	4,064,000	-	4,064,000
Liability incurred on flow through shares issued October 2021	4,999,000	-	4,999,000
Settlement of flow-through premium liability by incurring expenditures	(6,065,000)	-	(6,065,000)
<b>Balance, December 31, 2021</b>	<b>2,998,000</b>	-	<b>2,998,000</b>
Liability incurred on flow through shares issued March 2022	-	7,126,000	7,126,000
Settlement of flow-through premium liability by incurring expenditures	(2,998,000)	(5,666,856)	(8,664,856)
Liability due to receipt of exploration tax credits	-	2,481,000	2,481,000
<b>Balance, December 31, 2022</b>	<b>\$ -</b>	<b>\$ 3,940,144</b>	<b>\$ 3,940,144</b>

At December 31, 2022, the Company had a remaining commitment to incur exploration expenditures of approximately \$9,549,000 (December 31, 2021 - \$7,000,000) in relation to its flow-through share financing.

Details of recent flow-through shares issued is below:

*For the year ended December 31, 2022*

On March 10, 2022, the Company issued 8,383,500 flow-through shares of the Company at a price of \$2.06 per share. The premium paid by investors was calculated as \$0.85 per share. Accordingly, \$7,126,000 was recorded as flow-through premium liability.

*For the year ended December 31, 2021*

On October 21, 2021, the Company issued 7,935,000 flow-through shares of the Company at a price of \$1.47 per share. The premium paid by investors was calculated as \$0.63 per share. Accordingly, \$4,999,000 was recorded as flow-through premium liability.

**Bonterra Resources Inc.**  
**Notes to the Financial Statements**  
For the Years Ended December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

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**15. FLOW-THROUGH PREMIUM LIABILITY (Continued)**

*For the year ended December 31, 2021 (Continued)*

On April 7, 2021, the Company issued 10,420,000 flow-through shares units at a price of \$1.44 per share. The premium paid by investors was calculated as \$0.39 per share. Accordingly, \$4,064,000 was recorded as flow-through premium liability.

**16. ASSET RETIREMENT OBLIGATIONS**

The Company's past production and current exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment. The Company has recorded the asset retirement obligations on the basis of management's best estimates of future costs, based on information available on the reporting date.

Best estimates of future cost are the amount the Company would reasonably pay to settle its obligation on the closing date of the project.

The future costs are discounted using the risk-free interest rate of the Company and are recorded as liabilities. The counterparts of these obligations are capitalized to property, plant and equipment which will be depreciated in accordance with the unit-of-production method, based on the estimated life of the mine upon beginning of commercial production. The asset retirement obligations are adjusted for accumulated accretion in accordance with the expected timing of payment of the cash flows required to settle these obligations.

a) Changes in obligations

The following table sets forth the changes in the asset retirement obligations:

<b>As at,</b>	<b>December 31, 2022</b>	December 31, 2021
Balance, beginning of year	\$ 5,987,000	\$ 5,844,000
Accretion expense	147,000	143,000
Change in estimate for asset retirement obligations	400,000	-
Balance, end of year	\$ 6,534,000	\$ 5,987,000

b) Information used in the calculation of obligations

The total inflated and undiscounted amount of estimated cash flows required to settle the Company's estimated future closure and decommissioning costs is \$13,984,000 (December 31, 2021 - \$11,222,000), which has been inflated using inflation rates of 2.05% (December 31, 2021 - 2%). The total provision is calculated using discount rates of 3.28% (December 31, 2021 - 2.45%). The schedule of payments was determined by taking into account the resources that the Company considers highly likely to be able to convert into reserves of related mining properties and the estimated annual production level. The Company plans to settle these obligations during the financial year ending in 2038 for the Barry site and 2048 for the Bachelor Mill Complex.

c) Distribution of asset retirement obligations

The following table sets forth the break down in the asset retirement obligations between the sites:

<b>As at,</b>	<b>December 31, 2022</b>	December 31, 2021
Barry site	\$ 1,781,000	\$ 520,000
Bachelor mill complex	4,753,000	5,467,000
	\$ 6,534,000	\$ 5,987,000

Bonterra Resources Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

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17. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares without par value.

b) Issued and outstanding

*During the year ended December 31, 2022*

On March 10, 2022, the Company closed a brokered private placement, issuing: (a) 6,405,000 common shares of the company at a price of \$1.21 per common share for gross proceeds of \$7,750,050; and (b) 8,383,500 common shares of the company that qualify as flow-through at a price of \$2.06 per flow-through share for gross proceeds of \$17,270,010, representing total aggregate gross proceeds of the offering of \$25,020,060.

In connection with the offering, the agents received a cash fee equal to \$1,356,719. Other share issue costs of \$197,216 were incurred.

*During the year ended December 31, 2021*

On October 21, 2021, the Company completed a brokered private placement for gross proceeds of \$11,664,450. The Company issued 7,935,000 flow-through shares of the Company at a price of \$1.47 per share. The underwriters received a cash fee of \$544,464. Other share issue costs of \$182,234 were incurred.

On April 7, 2021, the Company completed a brokered private placement for gross proceeds of \$17,472,300. The Company issued (a) 2,350,000 common shares of the Company at a price of \$1.05 per common share for gross proceeds of \$2,467,500, and (b) 10,420,000 flow-through shares of the Company at a price of \$1.44 per flow-through share for gross proceeds of \$15,004,800. The underwriters received a cash fee of \$949,638. Other share issue costs of \$189,656 were incurred.

c) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

<b>For the Year Ended December 31,</b>	<b>2022</b>		<b>2021</b>	
	<b>Number of</b>	<b>Weighted</b>	<b>Number of</b>	<b>Weighted</b>
	<b>Warrants</b>	<b>Average</b>	<b>Warrants</b>	<b>Average</b>
		<b>Exercise Price</b>		<b>Exercise Price</b>
Outstanding, beginning of year	-	-	5,589,835	\$ 3.10
Expired	-	-	(5,589,835)	\$ 3.10
Outstanding, end of year	-	-	-	-

Bonterra Resources Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

17. SHARE CAPITAL (Continued)

d) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a twelve-month period with no more than 25% of the options vesting in any three-month period. As at December 31, 2022, the Company had 3,509,550 (December 31, 2021 - 2,870,700) options remaining available for issuance under the plan.

The following is a summary of option transactions under the Company's stock option plan for the years ended December 31, 2022 and 2021:

For the Year Ended December 31,	2022		2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	8,255,000	\$ 1.39	4,346,111	\$ 1.72
Transactions during the year:				
Granted	1,800,000	1.09	5,060,000	1.23
Exercised <sup>(1)</sup>	(150,000)	1.16	-	-
Expired/Cancelled/Forfeited	(795,000)	1.40	(1,151,111)	1.96
Outstanding, end of year	9,110,000	\$ 1.33	8,255,000	\$ 1.39
Exercisable, end of year	6,860,000	\$ 1.39	5,755,000	\$ 1.44

<sup>1</sup> The weighted average trading price on date of exercise for the stock options exercised during the year ended December 31, 2022 was \$1.25 (year ended December 31, 2021 - \$Nil).

The following table provides additional information about outstanding stock options at December 31, 2022:

Range of Exercise Prices (\$)	No. of Options Outstanding	Weighted Average Exercise Price (\$)	Weighted Average Remaining Life (Years)	No. of Options Exercisable	Weighted Average Exercise Price of Exercisable (\$)
0.50 – 1.27	4,710,000	1.15	3.44	2,460,000	1.15
1.32 – 2.00	4,400,000	1.53	2.15	4,400,000	1.53
<b>0.50 – 2.00</b>	<b>9,110,000</b>	<b>1.33</b>	<b>2.82</b>	<b>6,860,000</b>	<b>1.39</b>

On October 3, 2022, the Company granted 500,000 stock options to an officer of the Company at an exercise price of \$0.50. These stock options have a 5 year life and vested ¼ immediately, and ¼ thereafter on each of the first three anniversaries.

On January 17, 2022, 1,300,000 stock options were granted with an exercise price of \$1.32 that vest immediately and expire on January 17, 2027 to various officers and directors.

On November 11, 2021, 2,500,000 stock options were granted with an exercise price of \$1.27. These Options expire on November 11, 2026 and vest as follows: (a) 1/4 of the Options granted on January 17, 2022; (b) 1/4 of the Options granted on January 17, 2023; (c) 1/4 of the Options granted on January 17, 2024; and (d) 1/4 of the Options granted, on January 17, 2025, subject to a vesting acceleration clause under certain events.

Bonterra Resources Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

17. SHARE CAPITAL (Continued)

d) Stock options (Continued)

On April 12, 2021, 2,360,000 stock options were granted with an exercise price of \$1.16 that vest immediately and expire on April 12, 2026 to various consultants, employees, officers and directors.

On January 14, 2021, 200,000 stock options were granted with an exercise price of \$1.54 that vest immediately and expire on July 6, 2025 to a consultant.

Subsequent to December 31, 2022, 915,000 options expired unexercised with a weighted average exercise price of \$1.38.

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. The fair value of each option grant was calculated using the following weighted average assumptions:

For the Year Ended December 31,	2022	2021
Expected life (years)	5	4.98
Risk-free interest rate	2.09%	1.19%
Expected annualized volatility	57%	59%
Dividend yield	N/A	N/A
Stock price at grant date	\$1.09	\$1.22
Exercise price	\$1.09	\$1.23
Weighted average grant date fair value	\$0.55	\$0.61

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Year ended December 31,	2022	2021
Interest received	\$ 302,921	\$ 78,307
Interest paid	\$ (3,609)	\$ (26,089)

Non-cash changes				
	December 31, 2021	Cash Flows	Loan Additions	December 31, 2022
Long-term debt	\$ 116,628	\$ (64,243)	\$ -	\$ 52,385

Non-cash changes				
	December 31, 2020	Cash Flows	Loan additions	December 31, 2021
Long-term debt	\$ 720,658	\$ (604,030)	\$ -	\$ 116,628

During the year ended December 31, 2022, the Company exchange a vehicle for services in the amount of \$88,127 (2021 - \$nil).

**Bonterra Resources Inc.**  
**Notes to the Financial Statements**  
For the Years Ended December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

**19. SEGMENTED DISCLOSURE**

The Company operates several exploration and evaluation properties in Quebec, as well as a past producing gold mine and mill that has been put on care and maintenance. These operating sites are managed separately given their different locations. The Company assesses the performance of each segment. Accounting policies for each segment are the same as those used for the preparation of the financial statements.

For the years ended December 31, 2022 and 2021, the Company's two operating segment were mining site care and maintenance and mineral exploration. All other costs are considered corporate administration costs.

<b>Year ended December 31, 2022</b>	<b>Mining Site</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
Mill and mine care and maintenance	\$ 6,922,600	\$ -	\$ -	\$ 6,922,600
Exploration and evaluation	-	11,957,075	-	11,957,075
Recovery of flow-through premium liability	-	(6,183,856)	-	(6,183,856)
Impairment of property, plant and equipment	-	16,544,757	-	16,544,757
Administration*	-	-	5,396,129	5,396,129
<b>Net loss</b>	<b>\$ 6,922,600</b>	<b>\$ 22,317,976</b>	<b>\$ 5,396,129</b>	<b>\$ 34,636,705</b>

<b>Year ended December 31, 2021</b>	<b>Mining Site</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
Mill and mine care and maintenance	\$ 2,357,834	\$ -	\$ -	\$ 2,357,834
Exploration and evaluation	-	31,321,772	-	31,321,772
Recovery of flow-through premium liability	-	(6,065,000)	-	(6,065,000)
Administration*	-	-	4,305,718	4,305,718
<b>Net loss</b>	<b>\$ 2,357,834</b>	<b>\$ 25,256,772</b>	<b>\$ 4,305,718</b>	<b>\$ 31,920,324</b>

\* Administration costs include salaries, management and director fees, office, general and other, professional fees, rent, share-based payments, shareholder communication and investor relations, transfer agent and filing fees, travel, miscellaneous revenue, interest income and accretion expense.

**20. INCOME TAXES**

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

<b>Year ended December 31,</b>	<b>2022</b>	<b>2021</b>
Loss before income taxes	\$ (34,636,705)	\$ (31,920,324)
Statutory income tax rate	26.50%	26.50%
Income tax benefit computed at statutory tax rate	(9,178,727)	(8,459,000)
Items not deductible (taxable) for income tax purposes	(1,415,910)	(1,096,000)
Renunciation of eligible expenditures	5,326,643	2,681,000
Share issue costs and other	(61,120)	42,000
Change in unrecognized benefit of deferred income tax assets	5,329,114	6,832,000
Deferred income tax expense	\$ -	\$ -

Bonterra Resources Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

**20. INCOME TAXES (Continued)**

The significant components of the Company's deductible temporary differences, unused tax credits and unused tax losses that have not been included on the statements of financial position are as follows:

<b>As at December 31,</b>	<b>2022</b>	<b>2021</b>
Non-capital losses carried forward	\$ 158,305,000	\$ 144,685,000
Net capital losses carried forward	1,604,000	1,604,000
Canadian development expense carried forward	38,217,000	48,420,000
Share issue costs and other	10,309,000	10,691,000
Property, plant and equipment	24,536,000	6,935,000

The significant components of the Company's deductible temporary differences, unused tax credits and unused tax losses that have not been included on the statements of financial position expire as follows:

<b>As at December 31,</b>	<b>2022</b>	<b>2021</b>
Non-capital losses carried forward	2028 – 2042	2028 -2041
Net capital losses carried forward	None	None
Canadian development expense carried forward	None	None
Share issue costs and other	5 years and none	5 years and none
Property, plant and equipment	None	None

As at December 31, 2022, the Company has capital losses of \$3,227,000 (2021 - \$3,227,000) available for carry-forward to reduce future years' capital gains.

As at December 31, 2022, the Company has federal non-capital losses of \$158,305,000 (2021 - \$144,685,000) and Quebec non-capital losses of \$165,049,000 (2021 - \$150,893,000) available for carry-forward to reduce future years' income for income tax purposes. These losses expire as follows:

	<b>Federal</b>	<b>Quebec</b>
2028	\$ 1,187,000	\$ 1,187,000
2029	6,834,000	11,807,000
2030	10,717,000	10,896,000
2031	8,822,000	9,454,000
2032	6,604,000	5,988,000
2033	1,370,000	1,365,000
2034	2,213,000	2,199,000
2035	3,836,000	3,819,000
2036	6,272,000	5,830,000
2037	47,379,000	49,080,000
2038	7,715,000	8,214,000
2039	21,407,000	19,847,000
2040	9,864,000	11,283,000
2041	10,472,000	10,467,000
2042	13,613,000	13,613,000
	\$ 158,305,000	\$ 165,049,000

## 21. COMMITMENTS AND CONTINGENT LIABILITIES

- a) The Company had entered into agreements with officers and consultants that include termination and change of control clauses. In the case of termination and change of control, the officers and consultants are entitled to certain amounts payable.

As at December 31, 2022, the Company had three (December 31, 2021 – four) of these types of agreements with officers of the Company that totaled annual base fees of \$690,000 and US\$150,000 (December 31, 2021 – \$955,000 and US\$120,000). In the case of termination, the officers are entitled to an amount equal to \$570,000 (December 31, 2021 – \$955,000 and US\$120,000) and in the case of a change of control of the Company, the officers under certain circumstances are entitled to an amount equal to \$1,140,000 (December 31, 2021 – \$1,670,000 and US\$120,000). During the year ended December 31, 2022, the Company terminated two of these agreements with officers of the Company that called for a payment in the amount of \$505,000 in the case of termination and \$770,000 in the case of a change of control of the Company, for a cash payment of \$505,000. In addition, the Company amended one of these agreements with an officer of the Company that called for a payment in the amount of US\$120,000 in the case of termination and US\$120,000 in the case of a change of control of the Company, to eliminate the potential termination and change of control payments for no additional consideration.

- b) On September 9, 2013, the Ministry of Energy and Natural Resources of Quebec approved the update of the restoration plan of the Bachelor mine. The financial guarantee covering the restoration costs amount to \$4,000,104 which has been covered by insurance bonds as at December 31, 2022 and 2021 (note 9).