



Bonterra Resources Inc.

Condensed Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)



Bonterra Resources Inc.

For the Three and Nine Month Periods Ended September 30, 2023 and 2022

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

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

The condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the condensed interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the condensed interim 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 condensed interim 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 condensed interim 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

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### **NOTICE TO READER**

The accompanying condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of management. The condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2023 and 2022 have not been reviewed and or audited by the Company's auditors.

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

<b>As at,</b>	<b>September 30, 2023</b>	December 31, 2022
<b>Assets</b>		
<b>Current</b>		
Cash (note 18)	\$ 1,411,708	\$ 7,394,113
Marketable securities (note 7)	60,000	60,000
Receivables (note 8)	552,409	2,974,285
Inventory (note 11)	795,567	-
	<b>2,819,684</b>	10,428,398
Security and contract deposits (note 9)	3,000,431	1,689,252
Property, plant and equipment (note 10)	19,683,090	20,445,090
	<b>\$ 25,503,205</b>	<b>\$ 32,562,740</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables (notes 12 and 13)	\$ 3,956,786	\$ 6,576,871
Current portion of long-term debt (note 14)	6,980	51,740
Flow-through premium liability (note 15)	1,741,000	3,940,144
	<b>5,704,766</b>	10,568,755
Asset retirement obligations (note 16)	6,642,750	6,534,000
Long-term debt (note 14)	-	645
	<b>12,347,516</b>	17,103,400
<b>Shareholders' Equity</b>		
<b>Share Capital</b> (note 17)	<b>277,330,901</b>	277,330,901
<b>Share-based Payments Reserve</b> (note 17)	<b>20,877,388</b>	20,252,388
<b>Deficit</b>	<b>(285,052,600)</b>	(282,123,949)
	<b>13,155,689</b>	15,459,340
	<b>\$ 25,503,205</b>	<b>\$ 32,562,740</b>

Going Concern (note 2)

Commitments and Contingent Liabilities (note 20)

Subsequent Events (note 8, 11, 17 and 21)

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 condensed interim financial statements.

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

For the three and nine month period ended September 30,	Three Months		Nine Months	
	2023	2022	2023	2022
<b>Expenses</b>				
Exploration and evaluation (notes 10, 11 and 21)	\$ (1,958,906)	\$ (1,408,533)	\$ 3,193,744	\$ 8,700,609
Mill and mine care and maintenance (note 10)	95,763	1,765,879	780,327	5,453,935
Salaries, management and director fees (note 13)	338,856	302,648	1,167,496	1,230,268
Office, general and other	(5,273)	106,796	379,487	293,270
Professional fees (note 13)	1,719	328,508	225,006	554,938
Rent	16,250	18,300	48,119	47,800
Share-based payments (notes 13 and 17)	93,000	166,000	625,000	1,446,000
Shareholder communications and investor relations	61,191	59,418	196,746	238,206
Transfer agent and filings fees	2,573	7,335	30,062	66,739
Travel	10,922	16,114	48,539	35,749
<b>Income (Loss) Before Other Items</b>	<b>1,343,905</b>	<b>(1,362,465)</b>	<b>(6,694,526)</b>	<b>(18,067,514)</b>
<b>Other Items</b>				
Impairment of property, plant and equipment (note 10)	-	(15,879,900)	-	(15,879,900)
Miscellaneous revenue	593,111	-	1,568,122	-
Recovery of flow-through premium liability (note 15)	701,000	2,192,000	2,199,144	7,253,000
Net interest income	(7,301)	112,858	107,359	178,043
Accretion expense (note 16)	(36,250)	(37,000)	(108,750)	(110,000)
<b>Net Income (Loss) and Comprehensive Income (Loss) for the period</b>	<b>\$ 2,594,465</b>	<b>\$ (14,974,507)</b>	<b>\$ (2,928,651)</b>	<b>\$ (26,626,371)</b>
<b>Basic and Diluted Income (Loss) Per Share</b>	<b>\$ 0.02</b>	<b>\$ (0.12)</b>	<b>\$ (0.02)</b>	<b>\$ (0.22)</b>
<b>Weighted Average Number of Common Shares Outstanding – Basic and Diluted (000's)</b>	<b>126,196</b>	<b>126,196</b>	<b>126,196</b>	<b>122,489</b>

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

Bonterra Resources Inc.  
Condensed Interim 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, 2021	111,257,000	\$ 260,730,776	\$ 18,681,388	\$ (247,487,244)	\$ 31,924,920
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 period	-	-	-	(34,636,705)	(34,636,705)
Balance, December 31, 2022	126,195,500	\$ 277,330,901	\$ 20,252,388	\$ (282,123,949)	\$ 15,459,340
<b>Share-based payments</b>	-	-	<b>625,000</b>	-	<b>625,000</b>
<b>Net loss and comprehensive loss for the period</b>	-	-	-	<b>(2,928,651)</b>	<b>(2,928,651)</b>
<b>Balance, September 30, 2023</b>	<b>126,195,500</b>	<b>\$ 277,330,901</b>	<b>\$ 20,877,388</b>	<b>\$ (285,052,600)</b>	<b>\$ 13,155,689</b>
Balance, December 31, 2021	111,257,000	\$ 260,730,776	\$ 18,681,388	\$ (247,487,244)	\$ 31,924,920
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	-	-	1,446,000	-	1,446,000
Net loss and comprehensive loss for the period	-	-	-	(26,626,371)	(26,626,371)
Balance, September 30, 2022	126,195,500	\$ 277,330,901	\$ 20,041,388	\$ (274,113,615)	\$ 23,258,674

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

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

<b>For the nine month period ended September 30,</b>	<b>2023</b>	<b>2022</b>
<b>Operating Activities</b>		
Net loss for the period	\$ (2,928,651)	\$ (26,626,371)
Items not involving cash		
Depreciation	762,000	871,000
Impairment of property, plant and equipment	-	15,879,900
Share-based payments	625,000	1,446,000
Recovery of flow-through premium liability	(2,199,144)	(7,253,000)
Accretion expense	108,750	110,000
Changes in non-cash working capital		
Receivables	2,421,876	(6,412,449)
Security and contract deposits	(1,311,179)	1,300
Inventory	(795,567)	-
Trade and other payables	(2,620,085)	981,621
<b>Cash Used in Operating Activities</b>	<b>(5,937,000)</b>	<b>(21,001,999)</b>
<b>Investing Activities</b>		
Purchase of property, plant and equipment, net of sales	-	(40,398)
<b>Cash Used in Investing Activities</b>	<b>-</b>	<b>(40,398)</b>
<b>Financing Activities</b>		
Shares issued for cash	-	25,020,060
Shares issuance costs	-	(1,553,935)
Proceeds received on exercise of options	-	174,000
Repayment of long-term debt	(45,405)	(49,108)
<b>Cash (Used in) Provided by Financing Activities</b>	<b>(45,405)</b>	<b>23,591,017</b>
<b>Inflows (outflow) of Cash</b>	<b>(5,982,405)</b>	<b>2,548,620</b>
<b>Cash, Beginning of Period</b>	<b>7,394,113</b>	<b>4,479,221</b>
<b>Cash, End of Period</b>	<b>\$ 1,411,708</b>	<b>\$ 7,027,841</b>

Supplemental Disclosure with Respect to Cash Flows (note 18)

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

# Bonterra Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

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### 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 condensed interim 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 \$2,928,651 for the nine-month period ended September 30, 2023 (Year ended December 31, 2022 - \$34,636,705) and has an accumulated deficit of \$285,052,600 at September 30, 2023 (December 31, 2022 - \$282,123,949). As at September 30, 2023, the Company had working capital deficiency of \$2,885,082 (December 31, 2022 - deficiency of \$140,357). 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.

### 3. BASIS OF PREPARATION

#### a) Statement of compliance

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

These condensed interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 15, 2023.

The notes herein include only significant transactions and events occurring since the Company’s last fiscal year end and are not fully inclusive of all matters required to be disclosed in the annual audited financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with our most recent annual audited financial statements for the year ended December 31, 2022

#### b) Basis of measurement

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



# Bonterra Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

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### 4. FUTURE ACCOUNTING POLICIES AND STANDARDS ADOPTED

#### **New accounting standard adopted during the period**

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. This amendment did not have a material impact on the Company's financial statements.

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

This amendment did not have a material impact on the Company's financial statements.

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. This amendment did not have a material impact on the Company's financial statements.

### 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.

# Bonterra Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

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

#### *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.

#### 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.

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

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.

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’ closing quoted bid price.

# Bonterra Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

### 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 September 30, 2023 and December 31, 2022:

<b>September 30, 2023</b>	Level 1	Level 2	Level 3	Total
Cash	\$ 1,411,708	\$ -	\$ -	\$ 1,411,708
Marketable securities	\$ 50,000	\$ -	\$ 10,000	\$ 60,000

  

December 31, 2022	Level 1	Level 2	Level 3	Total
Cash	\$ 7,394,113	\$ -	\$ -	\$ 7,394,113
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 \$124,341 (December 31, 2022 - \$2,634,857) 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 September 30, 2023 equal \$5,704,766 (December 31, 2022 - \$10,568,755).

# Bonterra Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

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### 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 September 30, 2023 totalled \$13,155,689 (December 31, 2022 – \$15,459,340).

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 nine month period ended September 30, 2023, and year ended December 31, 2022.

### 7. MARKETABLE SECURITIES

As at September 30, 2023, marketable securities consisted of shares in publicly-traded or reporting issuer companies with a cost of \$60,000 (December 31, 2022 - \$60,000) and a fair value of \$60,000 (December 31, 2022 - \$60,000).

## Bonterra Resources Inc.

### Notes to the Condensed Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

#### 8. RECEIVABLES

<b>As at,</b>	<b>September 30, 2023</b>	December 31, 2022
Sales tax receivable	\$ 124,341	\$ 1,162,689
Exploration tax credits receivable	-	1,472,168
Other receivables	428,068	339,428
<b>Total receivables</b>	<b>\$ 552,409</b>	<b>\$ 2,974,285</b>

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

<b>As at,</b>	<b>September 30, 2023</b>	December 31, 2022
1 -90 days	\$ 248,379	\$ 339,428
Over 90 days	179,689	-
<b>Total other receivables</b>	<b>\$ 428,068</b>	<b>\$ 339,428</b>

At September 30, 2023 and December 31, 2022, 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 September 30, 2023 and December 31, 2022. Subsequent to September 30, 2023, the Company has received \$93,015 of the other receivables outstanding as at September 30, 2023 as well as \$83,286 of sales taxes receivable at September 30, 2023.

#### 9. SECURITY AND CONTRACT DEPOSITS

As at September 30, 2023, the Company had \$3,000,431 (December 31, 2022 - \$1,689,252) in deposits with the Government of Quebec for the settlement of asset retirement obligations and security deposits, comprised of \$142,301 (December 31, 2022 - \$143,300) in deposits with Hydro Quebec and \$2,858,130 (December 31, 2022 - \$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%. During the nine month period ended September 30, 2023, the insurance provider requested additional collateral required and the Company increased the bonding by \$915,093.

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 (completed during the nine month period ended September 30, 2023 with no additional collateral required).

During the period ended September 30, 2023, the Company's closure plan related to Bachelor property was reviewed and approved and as a result, the Company is required to increase its bonding requirements as follows: \$2,511,265 by August 2023, \$1,255,633 by May 2024 and \$1,255,633 by May 2025.

# Bonterra Resources Inc.

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### 10. PROPERTY, PLANT AND EQUIPMENT

Cost	Mill infrastructure and related equipment	Underground infrastructure and related equipment	Exploration and related equipment	Total
Balance, December 31, 2021	\$ 11,863,770	\$ 22,195,400	\$ 9,122,779	\$ 43,181,949
Additions	-	-	128,525	128,525
Transfer	-	(200,000)	200,000	-
Disposals	-	-	(93,127)	(93,127)
Impairment	(115,000)	(16,313,900)	(287,000)	(16,715,900)
<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>Additions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance, September 30, 2023</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, 2021	\$ 728,600	\$ 1,780,300	\$ 2,651,600	\$ 5,160,500
Depreciation	157,000	290,000	625,000	1,072,000
Transfer	-	(64,700)	64,700	-
Disposals	-	-	(5,000)	(5,000)
Impairment	(41,285)	(98,700)	(31,158)	(171,143)
<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>
<b>Depreciation</b>	<b>118,000</b>	<b>207,000</b>	<b>437,000</b>	<b>762,000</b>
<b>Balance, September 30, 2023</b>	<b>\$ 962,315</b>	<b>\$ 2,113,900</b>	<b>\$ 3,742,142</b>	<b>\$ 6,818,357</b>
Net book value, December 31, 2022	\$ 10,904,455	\$ 3,774,600	\$ 5,766,035	\$ 20,445,090
<b>Net book value, September 30, 2023</b>	<b>\$ 10,786,455</b>	<b>\$ 3,567,600</b>	<b>\$ 5,329,035</b>	<b>\$ 19,683,090</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 during the year ended December 31, 2022.

Depreciation for the nine month period ended September 30, 2023 is reflected as \$364,332 (2022 - \$407,000) recorded in exploration and evaluation expenditures and \$397,668 (2022 - \$464,000) 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.



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**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 year ended 2022, no participation was incurred by Osisko. During the nine month period ended September 30, 2023, the Company received \$205,144 from Osisko.

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**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.

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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 nine month periods ended September 30, 2023 and 2022 is as follows:

<b>September 30, 2023</b>	<b>Quebec Properties</b>	<b>Total</b>
Net exploration costs	\$ 3,193,744	\$ 3,193,744
Total exploration and evaluation expenditures	\$ 3,193,744	\$ 3,193,744
<b>September 30, 2022</b>	<b>Quebec Properties</b>	<b>Total</b>
Net exploration costs	\$ 8,700,609	8,700,609
Total exploration and evaluation expenditures	\$ 8,700,609	\$ 8,700,609

# Bonterra Resources Inc.

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

Included in exploration and evaluation expenditures for the nine month period ended September 30, 2023 is depreciation of \$364,332 (2022 - \$407,000). The Company has applied for exploration tax credits for exploration work done between 2020 to 2022. 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 nine month period ended September 30, 2023 are net of \$2,363,170 (2022 - \$10,177,784) in exploration tax credits receivable from Revenu Québec which have all been received as at September 30, 2023.

Included in exploration and evaluation expenditures for the nine month period ended September 30, 2023 is a reduction to exploration and evaluation expenditures from the NRV of precious metals produced or sold from the Company's Bachelor Mill cleanup process of \$2,430,417 (2022 - \$nil) from the production of 962 (2022 - nil) ounces of gold. Of the \$2,430,417 proceeds from the nine month period ended September 30, 2023, \$1,634,850 was sold during the nine month period ended September 30, 2023 and \$795,567 was included as inventory as at September 30, 2023, which was subsequently sold in October 2023.

### 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:

	As at,	
	September 30, 2023	December 31, 2022
Trade payables	\$ 3,070,744	\$ 5,211,896
Accrued liabilities and other payables	886,042	1,364,975
<b>Total trade and other payables</b>	<b>\$ 3,956,786</b>	<b>\$ 6,576,871</b>

### 13. RELATED PARTY TRANSACTIONS

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

For the nine month period ended,	September 30, 2023	September 30, 2022
Short-term compensation		
Salaries, management and director fees	\$ 839,000	\$ 646,000
Professional fees	-	180,000
Termination fees paid or accrued (Note 20)	-	505,000
	<b>839,000</b>	<b>1,331,000</b>
Share-based payments	<b>598,000</b>	<b>1,446,000</b>
	<b>\$ 1,437,000</b>	<b>\$ 2,777,000</b>

Included in trade and other payables at September 30, 2023 was \$78,259 (December 31, 2022 - \$55,731) 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.

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### 14. LONG-TERM DEBT

As at,	September 30, 2023	December 31, 2022
Loans payable, secured by rolling stock and mining equipment, 0.00%, payable in monthly instalments, from 2023 to 2024	\$ 6,980	\$ 52,385
	<b>6,980</b>	52,385
Current portion of long-term debt	<b>(6,980)</b>	(51,740)
	<b>\$ -</b>	<b>\$ 645</b>

The instalments on long-term debt for the forthcoming years as at September 30, 2023 are as follows:

	Loans payable
2023	\$ 6,335
2024	645
Total minimum payments	<b>\$ 6,980</b>

### 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
<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>
Settlement of flow-through premium liability by incurring expenditures	-	(2,199,144)	(2,199,144)
<b>Balance, September 30, 2023</b>	<b>\$ -</b>	<b>\$ 1,741,000</b>	<b>\$ 1,741,000</b>

At September 30, 2023, the Company had a remaining commitment to incur exploration expenditures of approximately \$4,220,000 (December 31, 2022 - \$9,549,000) 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.

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### 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>September 30, 2023</b>	December 31, 2022
Balance, beginning of period/year	\$ 6,534,000	\$ 5,987,000
Accretion expense	108,750	147,000
Change in estimate for asset retirement obligations	-	400,000
<b>Balance, end of period/year</b>	<b>\$ 6,642,750</b>	<b>\$ 6,534,000</b>

#### 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 \$12,768,000 (December 31, 2022 - \$13,984,000), which has been inflated using inflation rates of 2.05% (December 31, 2022 - 2.05%). The total provision is calculated using discount rates of 3.28% (December 31, 2022 - 3.28%). 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>September 30, 2023</b>	December 31, 2022
Barry site	\$ 1,811,000	\$ 1,781,000
Bachelor mill complex	4,831,750	4,753,000
	<b>\$ 6,642,750</b>	<b>\$ 6,534,000</b>

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**17. SHARE CAPITAL**

a) Authorized

Unlimited number of common voting shares without par value.

b) Issued and outstanding

*During the nine month period ended September 30, 2023*

There was no activity during the nine month period ended September 30, 2023.

*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.

c) Warrants

There are no warrants outstanding as at September 30, 2023.

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 September 30, 2023, the Company had 2,954,550 (December 31, 2022 - 3,509,550) options remaining available for issuance under the plan.

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17. SHARE CAPITAL (Continued)

d) Stock options (Continued)

The following is a summary of option transactions under the Company's stock option plan for the nine month period ended September 30, 2023 and year ended December 31, 2022:

For the,	Nine Month Period Ended September 30, 2023		Year Ended December 31, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of period/year	9,110,000	\$ 1.33	8,255,000	\$ 1.39
Transactions during the year:				
Granted	1,770,000	0.345	1,800,000	1.09
Exercised <sup>(1)</sup>	-	-	(150,000)	1.16
Expired/Cancelled/Forfeited	(1,215,000)	1.36	(795,000)	1.40
Outstanding, end of period/year	9,665,000	\$ 1.15	9,110,000	\$ 1.33
Exercisable, end of period/year	8,040,000	\$ 1.16	6,860,000	\$ 1.39

<sup>1</sup> The weighted average trading price on date of exercise for the stock options exercised during nine month period ended September 30, 2022 was \$1.25.

The following table provides additional information about outstanding stock options at September 30, 2023:

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 (\$)
0.345 – 1.27	6,090,000	0.91	3.39	4,465,000	0.85
1.32 – 2.00	3,575,000	1.54	1.53	3,575,000	1.54
<b>0.345 – 2.00</b>	<b>9,665,000</b>	<b>1.15</b>	<b>2.70</b>	<b>8,040,000</b>	<b>1.16</b>

On May 5, 2023, the Company granted 1,770,000 stock options to various employees, officers and directors of the Company at an exercise price of \$0.345. These stock options have a 5-year life and vested immediately.

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.

During the nine month period ended September 30, 2023, 915,000 (Year ended December 31, 2022 – 795,000) options expired unexercised with a weighted average exercise price of \$1.38 (Year ended December 31, 2022 – \$1.40).

Subsequent to September 30, 2023, 1,900,000 options expired unexercised with a weighted average exercise price of \$1.40.



Bonterra Resources Inc.  
Notes to the Condensed Interim Financial Statements  
For the Three and Nine Month Periods Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

17. SHARE CAPITAL (Continued)

d) Stock options (Continued)

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:

<b>Nine Month Period Ended September 30,</b>	<b>2023</b>	<b>2022</b>
Expected life (years)	5	5
Risk-free interest rate	3.02%	1.61%
Expected annualized volatility	61%	57%
Dividend yield	N/A	N/A
Stock price at grant date	0.345	\$1.32
Exercise price	0.345	\$1.32
Weighted average grant date fair value	\$0.187	\$0.66

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

<b>Nine month period ended,</b>	<b>September 30, 2023</b>	<b>September 30, 2022</b>
Interest received	\$ 146,564	\$ 180,608
Interest paid	\$ (39,205)	\$ (2,565)

		<b>Non-cash changes</b>		
	<b>December 31, 2022</b>	<b>Cash Flows</b>	<b>Loan Additions</b>	<b>September 30, 2023</b>
<b>Long-term debt</b>	\$ 52,385	\$ (45,405)	\$ -	\$ 6,980

		<b>Non-cash changes</b>		
	<b>December 31, 2021</b>	<b>Cash Flows</b>	<b>Loan Additions</b>	<b>September 30, 2022</b>
<b>Long-term debt</b>	\$ 116,628	\$ (49,108)	\$ -	\$ 67,520

# Bonterra Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2023 and 2022

(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 nine month period ended September 30, 2023 and 2022, the Company's two operating segment were mining site care and maintenance and mineral exploration. All other costs are considered corporate administration costs.

<b>Nine month period ended September 30, 2023</b>	<b>Mining Site</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
Mill and mine care and maintenance	\$ 780,327	\$ -	\$ -	\$ 780,327
Exploration and evaluation	-	3,193,744	-	3,193,744
Recovery of flow-through premium liability	-	(2,199,144)	-	(2,199,144)
Administration*	-	-	1,153,724	1,153,724
<b>Net loss</b>	<b>\$ 780,327</b>	<b>\$ 994,600</b>	<b>\$ 1,153,724</b>	<b>\$ 2,928,651</b>

<b>Nine month period ended September 30, 2022</b>	<b>Mining Site</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
Mill and mine care and maintenance	\$ 5,453,935	\$ -	\$ -	\$ 5,453,935
Exploration and evaluation	-	8,700,609	-	8,700,609
Recovery of flow-through premium liability	-	(7,253,000)	-	(7,253,000)
Impairment of property, plant and equipment	-	-	15,879,900	15,879,900
Administration*	-	-	3,844,927	3,844,927
<b>Net loss</b>	<b>\$ 5,453,935</b>	<b>\$ 1,447,609</b>	<b>\$ 19,724,827</b>	<b>\$ 26,626,371</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. 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 September 30, 2023, the Company had three (December 31, 2022 – three) of these types of agreements with officers of the Company that totaled annual base fees of \$690,000 and US\$150,000 (December 31, 2022 – \$690,000 and US\$150,000). In the case of termination, the officers are entitled to an amount equal to \$570,000 (December 31, 2022 – \$570,000 and US\$150,000) 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, 2022 – \$1,140,000 and US\$150,000). 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 Natural Resources and Forests 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 September 30, 2023 and December 31, 2022 (note 9). On May 2, 2023 the Ministry of Natural Resources and Forests of Quebec approved the updated restoration plan of the Bachelor Mine. The restoration costs are \$9,022,635. The insurance bond will increase in 2023 (\$2,511,265), 2024 (\$1,255,633) and 2025 (\$1,255,633).

## 21. SUBSEQUENT EVENTS

On September 25, 2023, the Company entered into a binding letter agreement with Osisko Mining Inc. for an exploration earn-in and joint venture agreement on its Urban-Barry property, in addition to the adjoining Duke and Lac Barry properties.

The earn-in and joint venture, which will be formalized by the parties executing a definitive exploration earn-in and joint venture agreement, will provide the terms for the advancement of the properties through a \$30-million investment by Osisko over a three-year period. The letter agreement provides that, subject to the execution of the definitive agreement, Osisko will have the ability to earn a 70-per-cent interest in the properties on the following terms:

- An initial upfront payment of \$5-million (\$1-million on the first business day after signing the letter agreement (received during the nine month period ended September 30, 2023) and \$4-million upon execution of the definitive agreement);
- Completion of \$30--million in work expenditures on the properties, with a minimum spending commitment of \$10-million per year over the three-year period following the execution of the definitive agreement;
- Osisko will have the right to carry over work expenditures from year to year, and to pay cash in lieu of expenditures in the event of a shortfall;
- Osisko will be the operator for the properties during the exploration earn-in period;
- Once a 70-per-cent interest in the properties is earned by Osisko, the properties will be operated as a joint venture, with Osisko as the operator, and each party required to contribute to future work expenditures in accordance with their proportional interests in the joint venture;
- Dilution of a party to less than 10 per cent of the joint venture will result in the conversion of their respective joint venture interest to a 1-per-cent net smelter return royalty.

The letter agreement provides for the execution of the definitive agreement by November 17, 2023. The proposed joint venture is subject to, among other things, the completion of satisfactory due diligence by Osisko, the execution of the definitive agreement and the approval of the TSX Venture Exchange.

In October 2023, the Company reported a gold sale from the Bachelor Mill cleanup process. The Company has recovered 332 ounces of gold generating revenue of \$795,567.