



Bonterra Resources Inc.

Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period
Ended August 31, 2018

(Expressed in Canadian Dollars)



Bonterra Resources Inc.

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018

INDEX

Page

Condensed Consolidated Interim Financial Statements

Management's Responsibility for Financial Reporting and Notice of No Auditor Review

Condensed Consolidated Interim Statements of Financial Position 1

Condensed Consolidated Interim Statements of Comprehensive Loss 2

Condensed Consolidated Interim Statements of Changes in Equity 3

Condensed Consolidated Interim Statements of Cash Flows 4

Notes to the Condensed Consolidated Interim Financial Statements 5-29

**MANAGEMENT'S RESPONSIBILITY FOR
FINANCIAL REPORTING**

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

The condensed consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

"Gregory Gibson" (signed)

Chief Executive Officer

"Johnny Oliveira" (signed)

Chief Financial Officer

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 four month period ended September 30, 2019 and the three month period ended August 31, 2018 have not been reviewed and or audited by the Company's auditors.

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

As at,	September 30, 2019	May 31, 2019
Assets		
Current		
Cash and cash equivalents (note 27)	\$ 23,580,456	\$ 9,806,591
Marketable securities (note 9)	20,000	20,000
Receivables (notes 10 and 16)	2,201,547	1,750,282
Materials and supplies (note 11)	1,527,467	1,670,668
Prepaid expenses	136,211	343,149
	27,465,681	13,590,690
Security and contract deposits (note 12)	4,762,701	4,762,701
Property, plant and equipment (notes 13, 14 and 24)	39,568,976	39,590,787
	\$ 71,797,358	\$ 57,944,178
Liabilities		
Current		
Trade and other payables (notes 15, 16, 20 and 26)	\$ 6,563,655	\$ 8,663,645
Mining taxes payable (note 17)	2,000,000	1,894,000
Current portion of long-term debt (note 18)	660,847	653,875
Derivative liability (note 19)	-	3,165,000
Flow-through premium liability (note 20)	4,759,000	2,195,000
	13,983,502	16,571,520
Asset retirement obligations (note 21)	5,670,000	5,624,000
Long-term debt (note 18)	742,193	891,718
	20,395,695	23,087,238
Shareholders' Equity		
Share Capital (note 22)	224,090,123	199,432,593
Share-based Payments Reserve (note 22)	14,026,388	12,731,888
Deficit	(186,714,848)	(177,307,541)
	51,401,663	34,856,940
	\$ 71,797,358	\$ 57,944,178

Going Concern (note 2)

Commitments and Contingent Liabilities (note 26)

Subsequent Events (note 26)

Approved on behalf of the Board:

"Akiba Leisman"
..... Director
Akiba Leisman

"Allan Folk"
..... Director
Allan Folk

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

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

For the period,	Four months ended September 30, 2019	Three months ended August 31, 2018
Expenses		
Consulting fees (note 7)	\$ 17,919	\$ 374,683
Depreciation (note 13)	-	3,784
Exploration and evaluation (notes 7, 14 and 16)	6,508,526	8,366,638
Mill care and maintenance (note 11)	1,686,406	-
Salaries, management and director fees (note 16)	413,527	116,000
Office and general	182,957	37,715
Professional fees (notes 7 and 16)	298,134	388,627
Rent (note 16)	23,305	53,260
Shareholder communications and investor relations	313,328	365,793
Transfer agent and filings fees	25,349	27,821
Travel	112,487	192,809
Loss Before Other Items	(9,581,938)	(9,927,130)
Other Items		
Recovery of flow-through premium liability (note 20)	1,449,000	2,063,285
Net interest (expense) income	(51,322)	37,167
Part XII.6 tax and penalties expense (recovered) (note 20)	(1,001)	143,794
Loss on derivative liability (note 19)	(876,046)	-
Accretion expense (note 21)	(46,000)	-
Unrealized gain on marketable securities (note 9)	-	100,000
Net Loss from Continuing Operations	(9,107,307)	(7,582,884)
Net Loss from Discontinued Operations (note 24)	(300,000)	-
Net Loss and Comprehensive Loss for the period	\$ (9,407,307)	\$ (7,582,884)
Basic and Diluted Loss Per Share ⁽¹⁾	\$ (0.14)	\$ (0.33)
Basic and Diluted Loss Per Share - Continuing Operations ⁽¹⁾	\$ (0.14)	\$ (0.33)
Basic and Diluted Loss Per Share - Discontinued Operations ⁽¹⁾	\$ (0.00)	\$ -
Weighted Average Number of Common Shares Outstanding – Basic and Diluted (000's) ⁽¹⁾	67,827	23,159

⁽¹⁾ All periods are adjusted for 10:1 share consolidation completed on November 6, 2018. See note 1.

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

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

	Share Capital		Share-based Payments Reserve	Deficit	Total
	Number of Shares ⁽¹⁾	Share Capital			
Balance, May 31, 2018	22,809,523	\$ 89,970,687	\$ 7,810,473	\$ (76,463,978)	\$ 21,317,182
Private placements	23,752,600	58,658,186	-	-	58,658,186
Flow-through premium liability	-	(4,079,000)	-	-	(4,079,000)
Share issue costs	-	(3,899,486)	-	-	(3,899,486)
Share-based payments	-	-	4,030,000	-	4,030,000
Shares issued on exercise of options	20,000	34,000	-	-	34,000
Transfer of options fair value on exercise	-	38,447	(38,447)	-	-
Shares issued on exercise of warrants	333,351	1,166,839	-	-	1,166,839
Transfer of warrant fair value on exercise	-	195,138	(195,138)	-	-
Shares issued for exploration and evaluation expenditure	410,000	1,619,500	-	-	1,619,500
Shares issued for debt	250,000	500,000	-	-	500,000
Consideration issued for acquisition of Metanor	16,351,312	64,587,682	1,125,000	-	65,712,682
Distribution to shareholders of Gatling shares	-	(9,359,400)	-	-	(9,359,400)
Net loss and comprehensive loss for the year	-	-	-	(100,843,563)	(100,843,563)
Balance, May 31, 2019	63,926,786	\$ 199,432,593	\$ 12,731,888	\$ (177,307,541)	\$ 34,856,940
Private placements	11,179,670	31,962,910	-	-	31,962,910
Flow-through premium liability	-	(4,013,000)	-	-	(4,013,000)
Share issue costs	-	(2,197,880)	-	-	(2,197,880)
Fair value of warrants issued on private placements	-	(1,426,000)	1,426,000	-	-
Shares issued on exercise of options	100,000	200,000	-	-	200,000
Transfer of options fair value on exercise	-	131,500	(131,500)	-	-
Net loss and comprehensive loss for the period	-	-	-	(9,407,307)	(9,407,307)
Balance, September 30, 2019	75,206,456	\$ 224,090,123	\$ 14,026,388	\$ (186,714,848)	\$ 51,401,663
Balance, May 31, 2018	22,809,523	\$ 89,970,687	\$ 7,810,473	\$ (76,463,978)	\$ 21,317,182
Shares issued on exercise of warrants	189,000	575,000	-	-	575,000
Transfer of warrant fair value on exercise	-	162,811	(162,811)	-	-
Shares issued for exploration and evaluation expenditure	400,000	1,600,000	-	-	1,600,000
Net loss and comprehensive loss for period	-	-	-	(7,582,884)	(7,582,884)
Balance, August 31, 2018	23,398,523	\$ 92,308,498	\$ 7,647,662	\$ (84,046,862)	\$ 15,909,298

⁽¹⁾ All periods are adjusted for 10:1 share consolidation completed on November 6, 2018. See note 1.

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

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

For the period,	Four months ended September 30, 2019	Three months ended August 31, 2018
Operating Activities		
Net loss for the period	\$ (9,407,307)	\$ (7,582,884)
Items not involving cash		
Depreciation	482,800	127,259
Shares issued for exploration and evaluation	-	1,600,000
Recovery of flow-through premium liability	(1,449,000)	(2,063,285)
Accretion expense	46,000	-
Loss on derivative liability	876,046	-
Unrealized gain on marketable securities	-	(100,000)
Changes in non-cash working capital		
Receivables	(451,265)	(327,022)
Materials and supplies	143,201	-
Prepaid expenses	206,938	41,374
Accounts payable and accrued liabilities	(2,099,990)	1,043,485
Mining taxes payable	106,000	-
Cash Used in Operating Activities	(11,546,577)	(7,261,073)
Investing Activities		
Purchase of property, plant and equipment	(460,989)	(655,245)
Cash paid on acquisition of Metanor	-	(4,000,000)
Cash Used in Investing Activities	(460,989)	(4,655,245)
Financing Activities		
Shares and units issued for cash	32,162,910	575,000
Share issuance costs	(2,197,880)	-
Settlement of derivative liability	(4,041,046)	-
Payment of long-term debt	(142,553)	-
Cash Provided by Financing Activities	25,781,431	575,000
Inflow (Outflow) of Cash and Cash Equivalents	13,773,865	(11,341,318)
Cash and Cash Equivalents, Beginning of Period	9,806,591	22,136,434
Cash and Cash Equivalents, End of Period	\$ 23,580,456	\$ 10,795,116
Cash and Cash Equivalents		
Cash	\$ 23,580,456	\$ 1,279,714
Term deposits	-	9,515,402
	\$ 23,580,456	\$ 10,795,116

Supplemental Disclosure with Respect to Cash Flows (note 23)

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

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

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. The Company’s registered and records office is 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

On November 6, 2018, the Company consolidated its common shares on a one new share for ten old shares basis. All share and per share amounts have been revised to reflect the consolidation.

2. GOING CONCERN

These condensed consolidated 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 \$9,407,307 for the four month period ended September 30, 2019 (Year ended May 31, 2019 - \$100,843,563) and has an accumulated deficit of \$186,714,848 at September 30, 2019 (May 31, 2019 - \$177,307,541). As at September 30, 2019, the Company had working capital of \$13,482,179 (May 31, 2019 - deficiency of \$2,980,830). 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 ore reserves, the ability to fund its existing acquisition and exploration commitments on its exploration and evaluation projects 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 projects or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These condensed consolidated interim 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 condensed consolidated interim financial statements.

3. BASIS OF PREPARATION

a) Statement of compliance and presentation

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

These condensed consolidated interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 25, 2019.

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 consolidated financial statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with our most recent annual audited consolidated financial statements for the year ended May 31, 2019.

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

3. BASIS OF PREPARATION (Continued)

b) Basis of measurement

These condensed consolidated 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 consolidated interim financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

4. FUTURE ACCOUNTING POLICIES AND STANDARDS ADOPTED

Standards adopted

At June 1, 2019, the Company adopted the following standards/amendments:

- IFRS 16 Leases (“IFRS 16”), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and nonlease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. The adoption of this standard had no material impact on the condensed consolidated interim financial statements of the Company.

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 condensed consolidated interim 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.

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

b) Income taxes (Continued)

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 projects 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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.

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. During the year ended May 31, 2019, the Company took an impairment of mineral properties of \$54,289,635 to bring the value on the statement of financial position to \$nil, consistent with its accounting policy under IFRS 6. (See note 7).

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

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 condensed consolidated interim 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) Fair value of Derivative Liability

As part of the Amending Agreement signed with Sandstorm Gold Ltd. ("Sandstorm") (note 19), Metanor agreed to a minimum stream deal to Sandstorm for its Bachelor and Barry properties. The minimum stream values were recorded at fair value. The fair value as at May 31, 2019 was based on current value due to the short-term duration of these remaining gold deliveries. The important assumptions in the calculation as at May 31, 2019 were as follows:

- Gold price of \$1,732.

c) 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 the case that the Company did not issue non-flow-through shares together with the flow-through shares, the market value of shares without the flow-through feature will be determined using their closing quoted bid price.

d) Mineral reserve estimate

Mineral reserves and resources are estimates of the amount of product that can be economically and legally extracted from the Company's properties. In order to calculate the reserves and resources that the Company considers highly likely to be able to convert into reserves, which form the life-of-mine of producing mining properties of the Company, estimates and assumptions are required about a range of geological, technical and economic factors, including but not limited to quantities, grades, production techniques and recovery rates.

Estimating the quantity and grade of the mineral reserves requires the size, shape and depth of ore bodies to be determined by analyzing geological data such as the logging and assaying of drill samples. This process may require complex and sophisticated geological models and calculations to interpret the data.

The Company is required to determine and report on the mineral reserves in accordance with the requirements of the Canadian Institute of Mining Standards. Estimates of mineral reserves and resources may change from period to period due to the change in economic assumptions used to estimate ore reserves and due to additional geological data becoming available during the course of operations. Changes in reported proven and probable mineral reserves and a portion of measured, indicated and inferred resources that the Company expects to convert into reserves may significantly affect the Company's financial results and position in a number of ways, including the following:

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Key sources of estimation uncertainty (Continued)

d) Mineral reserve estimate (Continued)

Depreciation and amortization charges to the statement of comprehensive loss may change as these are calculated on the unit-of production method, or where the useful economic lives of assets change.

Asset retirement obligations and environmental provisions may change where changes in ore reserves affect expectations about the timing or cost of these activities.

e) Business combination

Determination of fair value of assets acquired, liabilities assumed and the fair value of purchase consideration requires the use of various estimates made by management.

Classification of a transaction as a business combination depends on whether the assets acquired constitute a business in accordance with the criteria set forth in IFRS 3 Business Combination, which can be a complex judgement.

f) Application of accounting for plan of arrangement and spin-out of Larder Lake assets

Management has accounted for this transaction and distribution under IFRIC 17 – Distribution of Non-Cash Assets, in which the distribution of the assets is recorded as an equity transaction at fair value, with the gain on the distribution recorded in profit or loss. For presentation purposes, because the assets that were transferred did not represent the substantial activity within the Group, management did not follow discontinued operation presentation in the condensed consolidated interim financial statements.

The Company determined that the fair value of the shares received as consideration from Gatling Exploration Inc. for the Larder Lake Project and cash was \$0.28 per share, being the closing price of the first day of trading (“Trading Price”) of Gatling.

6. SPIN-OUT OF LARDER LAKE ASSETS

On September 24, 2018, the Company completed a plan of arrangement (the “Arrangement”) whereby the Company spun out its Larder Lake Project assets and liabilities and \$7,000,000 in cash (the “Spin-Out”) in order to create a new exploration company Gatling Exploration Inc. (“Gatling”), by way of plan of arrangement under the Business Corporations Act (British Columbia). Each holder of common shares of the Company received one Gatling common share for each seven common shares of the Company held.

The Spin-Out is treated as a distribution of non-cash assets and is recorded at the fair value of the assets distributed. A total of 33,426,512 common shares of Gatling were received and distributed. Using a trading price of \$0.28, the fair value was \$9,359,400.

Fair value of Gatling shares received and distributed	\$	9,359,400
Less carrying value of Larder Lake Project assets and liabilities transferred		-
Less cash spun-out		(7,000,000)
<hr/>		
Gain on distribution	\$	2,359,400

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

7. ACQUISITION OF METANOR

On September 24, 2018, the Company acquired Metanor Resources Inc. (“Metanor”) by way of plan of arrangement (the “Acquisition”) under section 192 of the Canada Business Corporations Act. Each holder of Metanor common shares received 0.16039 common shares of the Company for each Metanor share held, for a total of 16,351,312 common shares of the Company. The Company also advanced and subsequently added to its investment \$4,000,000 to Metanor prior to closing, with a term of six months and an interest rate of 10% in the event the deal never closed.

The Company determined that the acquisition of Metanor was a business combination in accordance with IFRS 3 *Business Combinations*. The Company incurred transaction costs of \$2,206,241 related to the Acquisition of which \$1,821,327 were expensed under consulting fees and \$384,914 under professional fees.

These condensed consolidated interim financial statements include revenue of \$Nil and a net loss on discontinued operation of \$300,000 related to Metanor operations for the four month period ended September 30, 2019.

The following tables summarizes the fair value of the consideration paid and the preliminary fair values of identified assets acquired and liabilities assumed from Metanor.

Purchase Price		
Common shares issued	\$	64,587,682
Loan advanced		4,000,000
Replacement stock options issued		417,000
Replacement warrants issued		708,000
	\$	69,712,682

Net Assets Acquired and Liabilities Assumed		
Cash	\$	1,230,620
Marketable securities		20,000
Receivables		1,930,739
Inventory, materials and supplies		3,975,000
Prepaid expenses		237,467
Security and contract deposits		4,765,001
Property, plant and equipment		37,579,000
Mineral properties		54,289,635
Trade and other payables		(18,475,472)
Mining taxes payable		(1,894,000)
Derivative liability		(5,900,000)
Long-term debt		(2,512,308)
Asset retirement obligations		(5,533,000)
	\$	69,712,682

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its replacement warrants and options issued. The fair value of the replacement warrants and options issued was calculated using the following weighted average assumptions:

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

7. ACQUISITION OF METANOR (Continued)

	Options	Warrants
Number issued	505,841	4,175,774
Expected life (years)	1.95	0.64
Risk-free interest rate	2.03%	1.75%
Expected annualized volatility	58%	44%
Dividend yield	N/A	N/A
Stock price at issue date	\$3.95	\$3.95
Exercise price	\$9.88	\$5.33
Weighted average issue date fair value	\$0.82	\$0.17

Under IFRS 3, the company recorded the value of \$54,289,635 associated with all Metanor's interest in mineral properties to mineral properties on the statement of financial position. The Company's accounting policy under IFRS 6 is to expense all costs related to exploration and evaluation, including the costs associated with acquisition of such mineral properties. The business of exploring for minerals involves a high degree of risk and there can be no assurance that acquired mineral properties will result in profitable mining operations, which leaves the value of such properties to be extremely subjective and unreliable. As a result, the Company has recorded an impairment on these mineral properties acquired from Metanor for the year ended May 31, 2019 of \$54,289,635 to bring the value on the statement of financial position to \$nil, consistent with its accounting policy under IFRS 6.

8. 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 cash equivalents, marketable securities and derivative liability 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 following table sets forth the Company's financial assets measured at fair value by levels within the fair value hierarchy as at September 30, 2019 and May 31, 2019:

September 30, 2019	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 23,580,456	\$ -	\$ -	\$ 9,806,591
Marketable securities	\$ 10,000	\$ -	\$ 10,000	\$ 20,000
<hr/>				
May 31, 2019	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 9,806,591	\$ -	\$ -	\$ 9,806,591
Marketable securities	\$ 10,000	\$ -	\$ 10,000	\$ 20,000

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

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

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

8. FINANCIAL INSTRUMENTS (Continued)

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 and cash equivalents, by placing it at major Canadian financial institutions. Included in receivables is \$2,121,532 (May 31, 2019 - \$1,689,083) owing from the Canada Revenue Agency and Revenu Québec. Management of the the Company believes it has minimal credit risk.

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, 2019 equal \$13,983,502 (May 31, 2019 - \$16,571,520). The cash available is not sufficient to meet the Company's financial obligations at September 30, 2019.

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 and cash equivalents is at nominal interest rates. Long-term debt bears interest at fixed rates, thus exposing the Company 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.

c) 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, 2019 totaled \$51,401,663 (May 31, 2019 – \$34,856,940).

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

8. FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued)

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 TSXV 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 four month period ended September 30, 2019 and year ended May 31, 2019.

9. MARKETABLE SECURITIES

As at September 30, 2019, marketable securities consisted of shares in publicly-traded or reporting issuer companies with a cost of \$20,000 (2019 - \$20,000) and a fair value of \$20,000 (2019 - \$20,000). During the four month period ended September 30, 2019, the Company recorded an unrealized realized gain of \$Nil (Three month period ended August 31, 2018 - \$100,000).

10. RECEIVABLES

As at,	September 30, 2019	May 31, 2019
Sales tax receivable	\$ 2,121,532	\$ 1,689,083
Other receivables	80,015	61,199
Total receivables	\$ 2,201,547	\$ 1,750,282

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

As at,	September 30, 2019	May 31, 2019
1 -90 days	\$ 25,660	\$ 6,899
Over 90 days	54,355	54,300
Total other receivables	\$ 80,015	\$ 61,199

At September 30, 2019 and May 31, 2019, 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 8(a). The Company holds no collateral for any receivable amounts outstanding as at September 30, 2019 and 2018. Subsequent to September 30, 2019, the Company has received \$43,466 of the receivables and \$1,351,904 of the sales tax receivable and expects to receive the remaining amounts within the next six months.

11. MATERIALS AND SUPPLIES

As at,	September 30, 2019	May 31, 2019
Materials and supplies	\$ 1,527,467	\$ 1,670,668
	\$ 1,527,467	\$ 1,670,668

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

11. MATERIALS AND SUPPLIES

Included in material and supplies as at September 30, 2019 and May 31, 2019 are supplies related to underground mining and milling and safety equipment used in mining and exploration. During the year ended May 31, 2019, the Company acquired on the acquisition of Metanor (note 7) materials and supplies of \$1,787,000 and gold inventory of \$2,188,000. Included in mill care and maintenance for the four month period ended September 30, 2019 is \$143,201 of materials and supplies acquired as part of the acquisition of Metanor.

12. SECURITY AND CONTRACT DEPOSITS

As at September 30, 2019, the Company had \$4,762,701 (May 31, 2019 - \$4,762,701) in deposits with the Government of Quebec for the settlement of asset retirement obligations, comprised of \$4,000,104 (May 31, 2019 - \$4,000,104) for the mill and \$394,897 (May 31, 2019 - \$394,897) for the Barry site and \$367,700 (May 31, 2019 - \$367,700) in deposits with Hydro Quebec.

13. PROPERTY, PLANT AND EQUIPMENT

Cost	Mill infrastructure and related equipment	Underground infrastructure and related equipment	Exploration and related equipment	Corporate Office	Total
Balance, May 31, 2018	\$ -	\$ -	\$ 3,284,787	\$ 122,708	\$ 3,407,495
Acquisition of Metanor	11,601,600	22,195,400	3,782,000	-	37,579,000
Additions	-	-	223,500	375	223,875
Disposal	-	-	(200,000)	(123,083)	(323,083)
Balance, May 31, 2019	\$ 11,601,600	\$ 22,195,400	\$ 7,090,287	\$ -	\$ 40,887,287
Additions	240,080	-	220,909	-	460,989
Balance, September 30, 2019	\$ 11,841,680	\$ 22,195,400	\$ 7,311,196	\$ -	\$ 41,348,276
Depreciation					
Balance, May 31, 2018	\$ -	\$ -	\$ 246,359	\$ 49,987	\$ 296,346
Depreciation	168,800	411,900	477,741	73,096	1,131,537
Disposal	-	-	(8,300)	(123,083)	(131,383)
Balance, May 31, 2019	\$ 168,800	\$ 411,900	\$ 715,800	\$ -	\$ 1,296,500
Depreciation	78,800	192,200	211,800	-	482,800
Balance, September 30, 2019	\$ 247,600	\$ 604,100	\$ 927,600	\$ -	\$ 1,779,300
Net book value, May 31, 2019	\$ 11,432,800	\$ 21,783,500	\$ 6,374,487	\$ -	\$ 39,590,787
Net book value, September 30, 2019	\$ 11,594,080	\$ 21,591,300	\$ 6,383,596	\$ -	\$ 39,568,97

14. EXPLORATION AND EVALUATION PROPERTIES

a) Gladiator Project

(i) Coliseum Property

During the year ended May 31, 2010, the Company acquired a 100% interest in claim blocks in Québec near Windfall Lake. 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.

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

14. EXPLORATION AND EVALUATION PROPERTIES (Continued)

a) Gladiator Project (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 claims 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") 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.

(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.

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

14. EXPLORATION AND EVALUATION PROPERTIES (Continued)

a) Gladiator Project (Continued)

(x) *Thubiére Property*

On March 10, 2017, the Company entered into an agreement to acquire a 100% interest in the Thubiére 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. to acquire a 70% interest in the Duke Property, located in Québec. In consideration, the Company must make 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.

The Company must also incur 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 (July 6, 2019) (completed);
- ii. a further \$1,500,000 on or before the second anniversary of this Agreement (July 6, 2020); and
- iii. a further \$1,500,000 on or before the third anniversary of this Agreement (July 6, 2021).

Any excess work incurred in any year may be carried forward and applied against the subsequent year's Work Commitment.

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

(xiii) *Maximus Property*

On July 23, 2018, the Company entered into an agreement to acquire a 100% interest in the Maximus Property, located in Québec, at a cost of \$200,000 (paid).

(xiv) *Boudreault-Duval Property*

On March 25, 2019, the Company entered into an option agreement to acquire a right to a new property called Boudreault-Duval, consisting of a mining claim covering an area of 56 ha, located 20 km north of the Barry project. To acquire the right to the property option, the Company made a cash payment of \$25,000 and issued 10,000 common shares (issued on March 28, 2019 and valued at \$19,500), to the arm's length vendors and, to exercise the option, the Company will make an additional cash payment of \$50,000 and issue 15,000 common shares before the one-year anniversary of the agreement.

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

14. EXPLORATION AND EVALUATION PROPERTIES (Continued)

b) Larder Lake Project

On March 16, 2016, the Company entered into an option agreement to acquire a 100% interest in the Larder Lake Property from Kerr Mines and its wholly owned subsidiary, Bear Lake Gold Ltd., located in Ontario. The terms of the agreement were amended on April 14, 2016.

On March 10, 2017, the Company entered into an agreement to acquire a 100% interest in the McVittie claim, located in Ontario. The vendors retain a 1.5% NSR on the claim, of which 1% may be repurchased by the Company for \$750,000.

On September 24, 2018, the Larder Lake Project was included in the spin-out of assets to Gatling. (note 6).

c) Metanor Exploration Projects

(i) Barry

The Company holds a 100% interest in mining lease and titles in 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.

(v) Moroy

The Company holds a 100% interest in mining titles located near the Bachelor Lake property. 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.

(vi) Nelligan

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

(vii) Coniagas

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

(viii) Wahnapitei

The Company holds a 90% interest in a property comprised of mining leases and concessions located in Sudbury, Ontario.

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

14. EXPLORATION AND EVALUATION PROPERTIES (Continued)

A summary of exploration and evaluation expenditures for the four month period ended September 30, 2019 and three month period ended August 31, 2018 is as follows:

Four month period ended September 30, 2019	Quebec Properties	Larder Lake	Total
Acquisition costs	\$ 250,000	\$ -	\$ 250,000
Net exploration costs	6,258,526	-	6,258,526
Total exploration and evaluation expenditures	\$ 6,508,526	\$ -	\$ 6,508,526

Three month period ended August 31, 2018	Quebec Properties	Larder Lake	Total
Acquisition costs	\$ 2,054,164	\$ 13,023	\$ 2,067,187
Net exploration costs (recovery)	6,278,107	21,344	6,299,451
Total exploration and evaluation expenditures	\$ 8,332,271	\$ 34,367	\$ 8,366,638

Included in exploration and evaluation expenditures for the four month period ended September 30, 2019 is depreciation of \$404,000 (Three month period ended August 31, 2018 - \$123,475). In addition, the exploration and evaluation expenditures for the four month period ended September 30, 2019 are net of \$Nil (Three month period ended August 31, 2018 - \$1,370,685) mining tax credits received from Revenu Québec.

15. 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 an aged analysis of the trade and other payables:

	As at,	
	September 30, 2019	May 31, 2019
Trade payables	\$ 4,916,154	\$ 5,526,851
Accrued liabilities and other payables	1,647,501	3,136,794
Total trade and other payables	\$ 6,563,655	\$ 8,663,645

16. RELATED PARTY TRANSACTIONS

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

For the period,	Four months ended September 30, 2019	Three month period ended August 31, 2018
Short-term compensation		
Exploration and evaluation expenditures	\$ -	\$ 146,000
Salaries, management and director fees	202,000	116,000
Professional fees	-	32,500
	\$ 202,000	\$ 294,500

During the four month period ended September 30, 2019, the Company received \$Nil (Three month period ended August 31, 2018 - \$18,000) for the recovery of rent expense from companies related by a former common officer. Included in receivables at September 30, 2019 was \$nil (May 31, 2019 - \$Nil) for the recovery of shared expenses from companies related by a former common officer.

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

16. RELATED PARTY TRANSACTIONS

Included in accounts payable at September 30, 2019 was \$Nil (May 31, 2019 - \$22,958) due to officers for expense reimbursements and unpaid fees. The amounts payable are non-interest-bearing, uncollateralized and are repayable on demand.

During the four month period ended September 30, 2019, the Company paid or accrued \$Nil (Three month period ended August 31, 2018 - \$18,760) to private companies with former common directors for exploration and evaluation expenditures.

17. MINING TAXES PAYABLE

Mining taxes payable as at September 30, 2019 was \$2,000,000 (May 31, 2019 - \$1,894,000). The amounts owing relates to minimum taxes owing on the mining gold production at Metanor from July 2014 to December 2018 assessed by the Ministry of Revenu Québec.

18. LONG-TERM DEBT

As at,	September 30, 2019	May 31, 2019
Leases payable, secured by rolling stock and mining equipment, 0.00% to 5.98%, payable in monthly instalments, from 2022 to 2023	\$ 454,920	\$ 534,574
Obligations under finance leases, 5.17% to 25.16%, payable in monthly instalments, maturing from 2020 to 2023	948,120	1,011,019
	1,403,040	1,545,593
Current portion of long-term debt	(660,847)	(653,875)
	\$ 742,193	\$ 891,718

The instalments on long-term debt for the forthcoming years as at September 30, 2019 are as follows:

	Obligations under finance leases	Leases payable
2019	\$ 134,793	\$ 59,839
2020	471,862	240,219
2021	236,058	139,153
2022	187,020	15,709
2023	46,755	-
Total minimum payments	1,076,488	454,920
Interest expense included in minimum payments	(128,368)	-
	\$ 948,120	\$ 454,920

19. DERIVATIVE LIABILITY

In 2011, Metanor entered into an agreement with Sandstorm where Sandstorm made advances totaling US \$20 million. In exchange, Metanor was required to sell to Sandstorm 20% of the gold produced from its Bachelor Lake Property until 2052. For the first US \$20 million of sales, Metanor received US \$500 per ounce, with the difference between the prevailing market price and the US \$500 reducing the US \$20 million deposit. The full amount of the deposit was reduced to \$nil, and sales of gold to Sandstorm were to be completed at the lesser of US \$500 and the prevailing market price per ounce of gold. The initial deposit was recorded as unearned revenue and recognized on the basis of the ounces sold over the estimated quantity of gold to be delivered over the term of the contract.

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

19. DERIVATIVE LIABILITY (Continued)

On September 29, 2017, Metanor entered into an Amending Agreement with Sandstorm, effectively reducing the existing gold stream on the Bachelor mine (which required Metanor to sell 20% of its gold production at the fixed price of US \$500) 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%. These NSRs become effective once the Company has delivered 12,000 ounces of gold to Sandstorm at the fixed price of US \$500 (minimum of 1,500 ounces quarterly). As of September 30, 2019, all 12,000 (May 31, 2019 - 9,000) ounces were delivered, along with an additional 250 ounces for late payments. As part of the consideration, Metanor issued 3,164,156 common shares to Sandstorm with an aggregate value of \$2,436,400.

Since the Company is not in production and had no intentions to fulfill the Sandstorm commitment by the sale of gold from its own production, the Company did not meet the own-use exemption under IFRS 9 and therefore recorded the gold stream amounts owing as a financial liability.

The activity of the derivative liability during the four month period ended September 30, 2019 and the year ended May 31, 2019 is as follows:

For the,	Four Month Period Ended September 30, 2019	Year Ended May 31, 2019
Opening balance	\$ 3,165,000	\$ -
Acquired on acquisition of Metanor (note 7)	-	5,900,000
Cost of gold purchases delivered	(6,019,125)	(5,719,350)
Proceeds of gold purchases delivered	1,978,079	2,011,238
Loss on derivative liability	876,046	973,112
	\$ -	\$ 3,165,000

The derivative liability as at September 30, 2019 and May 31, 2019 is calculated as follows:

As at,	September 30, 2019	May 31, 2019
Gold ounces to be delivered	-	3,000
Gold price per ounce as at period/year end	-	US\$ 1,279.90
Sale price per ounce per agreement	-	US\$ 500.00
Net cost per ounce	-	US\$ 779.90
US\$ exchange rate at period/year end	-	1.3527
Liability at period/year end	\$ -	\$ 3,165,000

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

20. 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 May 31, 2018	Issued During the Year Ended May 31, 2019	Issued During the Four Month Period Ended September 30, 2019	Total
Balance, May 31, 2018	\$ 3,469,531	\$ -	\$ -	\$ 3,469,531
Liability incurred on flow-through shares issued November 2018	-	1,722,000	-	1,722,000
Liability incurred on flow-through shares issued March 2019	-	2,357,000	-	2,357,000
Settlement of flow-through share liability by incurring expenditures	(3,469,531)	(1,884,000)	-	(5,353,531)
Balance, May 31, 2019	-	2,195,000	-	2,195,000
Liability incurred on flow-through shares issued August 2019	-	-	4,013,000	4,013,000
Settlement of flow-through share liability by incurring expenditures	-	(1,449,000)	-	(1,449,000)
Balance, September 30, 2019	\$ -	\$ 746,000	\$ 4,013,000	\$ 4,759,000

For the four month period ended September 30, 2019

On August 20, 2019, the Company issued 2,166,670 flow-through shares units at a price of \$3.00 per share. The premium paid by investors was calculated as \$0.50 per share. Accordingly, \$1,083,000 was recorded as flow-through premium liability. In addition, the Company issued 1,628,000 super flow-through shares at a price of \$4.30 per share. The premium paid by investors was calculated as \$1.80 per share. Accordingly, \$2,930,000 was recorded as flow-through premium liability, bringing the total aggregate flow-through premium liability recorded on August 20, 2019 to \$4,013,000.

For the year ended May 31, 2019

On November 8, 2018, the Company issued 3,443,500 flow-through shares at a price of \$3.80 per share. The premium paid by investors was calculated as \$0.50 per share. Accordingly, \$1,722,000 was recorded as flow-through premium liability.

On March 18, 2019, the Company issued 3,273,800 flow-through shares at a price of \$2.67 per share. The premium paid by investors was calculated as \$0.82 per share. Accordingly, \$2,357,000 was recorded as flow-through premium liability.

At September 30, 2019, the Company had a remaining commitment to incur exploration expenditures of approximately \$16,200,000 in relation to its flow-through share financing.

Included in trade and other payables at September 30, 2019 is a provision for tax liabilities as a result of not meeting flow-through expenditure requirements of \$nil (May 31, 2019 - \$Nil) from flow-through common shares issued in calendar 2012 and 2013. The Company reduced the 2012 and 2013 provision by \$243,794 during the year ended May 31, 2019.

21. 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.

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

21. ASSET RETIREMENT OBLIGATIONS (Continued)

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:

As at,	September 30, 2019	May 31, 2019
Balance, beginning of period/year	\$ 5,624,000	\$ -
Acquisition of Metanor	-	5,533,000
Accretion expense	46,000	91,000
Balance, end of period/year	\$ 5,670,000	\$ 5,624,000

b) Information used in the calculation of obligations

The rate used to determine the future value is 2%, while the rate reflecting the current market assessments (adjusted for the risks specific to this liability) used to determine the actual value is 2.45%. The schedule of payments was determined by taking into account the reserves and 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 Mill.

c) Distribution of asset retirement obligations

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

As at,	September 30, 2019	May 31, 2019
Barry site	\$ 493,000	\$ 489,000
Mill	5,177,000	5,135,000
	\$ 5,670,000	\$ 5,624,000

22. SHARE CAPITAL⁽¹⁾

⁽¹⁾ All periods are adjusted for 10:1 share consolidation completed on November 6, 2018. See Note 1.

a) Authorized

Unlimited number of common voting shares without par value

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

22. SHARE CAPITAL (Continued)

b) Issued and outstanding

During the four month period ended September 30, 2019

On August 20, 2019, the Company completed a brokered private placement for gross proceeds of \$31,962,910 (the "Offering"). Pursuant to the Offering, the Company issued (a) 7,385,000 units of the Company (the "Units") at a price of \$2.50 per Unit for gross proceeds of \$18,462,500, (b) 2,166,670 flow-through units of the Company (the "FT Units") at a price of \$3.00 per FT Unit for gross proceeds of \$6,500,010, and (c) 1,628,000 super flow-through units of the Company (the "Super FT Units") at a price of \$4.30 per Super FT Unit for gross proceeds of \$7,000,400. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each FT Unit consists of one common share of the Company issued on a flow-through basis (a "FT Unit Share") and one-half of one Warrant. Each Super FT Unit consists of one common share of the Company issued on a flow-through basis that will also qualify for the two 10% enhancements under section 726.4.9 and section 726.4.17.1 of the Quebec Taxation Act and one-half of one Warrant. Each Warrant is transferrable and entitles the holder to acquire one common share of the Company until August 20, 2021 at price of \$3.10 per common share.

The premium paid by investors on the flow-through shares was calculated at \$0.50 per FT Unit Share and \$1.80 per Super FT Units. Accordingly, \$4,013,000 was recorded as other liabilities. The underwriters received a cash fee of \$1,897,775. Other share issue costs of \$300,105 were incurred.

During the four month period ended September 30, 2019, the Company issued 100,000 common shares for proceeds of \$200,000 on the exercise of stock options. Fair value of contributed surplus transferred on the exercise of stock options was \$131,500.

During the year ended May 31, 2019

On July 12, 2018, the Company issued 400,000 common shares valued at \$1,600,000 for exploration and evaluation expenditures (note 14(a)).

On September 24, 2018, the Company issued 16,351,312 common shares of the Company for the acquisition of Metanor (note 7).

On November 6, 2018, the Company closed a private placement for gross proceeds of \$21,817,100. The Company issued 3,443,500 flow-through common shares of the Company at a price of \$3.80 and 2,646,000 common shares of the Company at a price of \$3.30.

The premium paid by investors on the flow-through shares was calculated at \$0.50 per share. Accordingly, \$1,722,000 was recorded as other liabilities. The underwriters received a cash fee of \$1,309,026. Other share issue costs of \$114,350 were incurred.

On November 14, 2018, the Company closed an additional tranche for gross proceeds of \$99,990. The Company issued 30,300 common shares of the Company at a price of \$3.30.

On March 12, 2019, the Company converted \$500,000 of accounts payable and accrued liabilities, by issuing 250,000 common shares.

On March 18, 2019, the Company completed a brokered private placement for gross proceeds of \$36,741,096. The Company issued 14,359,000 common shares of the Company at a price of \$1.95 and an additional 3,273,800 flow-through common shares at a price of \$2.67.

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

22. SHARE CAPITAL (Continued)

b) Issued and outstanding (Continued)

The premium paid by investors on the flow-through shares was calculated at \$0.72 per share. Accordingly, \$2,357,000 was recorded as other liabilities. The underwriters received a cash fee of \$2,204,466. Other share issue costs of \$271,644 were incurred.

On March 28, 2019, the Company issued 10,000 common shares valued at \$19,500 for exploration and evaluation expenditures (note 14(a)).

During the year ended May 31, 2019, the Company issued 333,351 common shares for proceeds of \$1,166,839 on the exercise of 333,351 warrants and 20,000 common shares for proceeds of \$34,000 on the exercise of 20,000 stock options. Fair value of contributed surplus transferred on the exercise of warrants was \$195,138 and fair value of contributed surplus transferred on the exercise of stock options was \$38,447.

c) Warrants ⁽¹⁾

⁽¹⁾ All periods are adjusted for 10:1 share consolidation completed on November 6, 2018. See note 1.

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

For the,	Four Month Period Ended September 30, 2019		Year Ended May 31, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period/year	1,111,827	\$ 5.55	1,512,143	\$ 4.40
Issued	5,589,835	\$ 3.10	-	-
Metanor replacement warrants	-	-	4,175,774	\$ 5.33
Exercised	-	-	(333,351)	\$ 3.50
Expired	-	-	(4,242,739)	\$ 5.06
Outstanding, end of period/year	6,701,662	\$ 3.51	1,111,827	\$ 5.55

The following warrants were outstanding and exercisable as at September 30, 2019:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding
December 28, 2019	0.24	\$ 5.60	981,827
February 26, 2020	0.41	\$ 5.20	130,000
August 20, 2021	1.89	\$ 3.10	5,589,835
	1.62	\$ 3.51	6,701,662

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

22. SHARE CAPITAL (Continued)

c) Warrants (Continued)

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its warrants issued. The fair value of each warrant issued was calculated using the following weighted average assumptions for the four month period ended September 30, 2019 and year ended May 31, 2019:

	Four Month Period Ended September 30, 2019	Year ended May 31, 2019
Expected life (years)	2.00	N/A
Risk-free interest rate	1.34%	N/A
Expected annualized volatility	40%	N/A
Dividend yield	0%	N/A
Stock price at grant date	\$2.18	N/A
Exercise price	\$3.10	N/A
Weighted average grant date fair value	\$0.255	N/A

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.

d) Stock options⁽¹⁾

⁽¹⁾ All periods are adjusted for 10:1 share consolidation completed on November 6, 2018. See note 1.

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, 2019, the Company had 4,445,096 (May 31, 2019 – 2,294,385) 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 four month period ended September 30, 2019 and year ended May 31, 2019:

	Four Month Period Ended September 30, 2019		Year ended May 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of period/year	4,098,293	\$ 3.16	1,220,000	\$ 4.20
Transactions during the year:				
Granted	-	-	3,150,000	\$ 2.17
Metanor replacement options	-	-	505,841	\$ 9.88
Exercised	(100,000)	\$ 2.00	(20,000)	\$ 1.70
Expired	(922,744)	\$ 6.21	(757,548)	\$ 4.34
Outstanding and exercisable, end of period/year	3,075,549	\$ 2.29	4,098,293	\$ 3.16

The weighted average trading price on date of exercise for the stock options exercised during the four month period ended September 30, 2019 was \$2.46 (year ended May 31, 2019 - \$1.97).

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

22. SHARE CAPITAL (Continued)

d) Stock options (Continued)

The following table provides additional information about outstanding stock options at September 30, 2019:

Range of Exercise Prices (\$)	No. of Options Outstanding and Exercisable	Weighted Average Exercise Price (\$)	Weighted Average Remaining Life (Years)
2.00	2,800,000	2.00	4.40
3.50 – 5.50	266,329	4.74	1.79
15.60 – 31.20	9,220	18.31	2.70
2.00 – 31.20	3,075,549	2.29	4.17

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:

Year ended May 31,	2019
Expected life (years)	4.68
Risk-free interest rate	1.80%
Expected annualized volatility	84%
Dividend yield	N/A
Stock price at grant date	\$2.12
Exercise price	\$2.17
Weighted average grant date fair value	\$1.28

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.

23. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the period,	Four months ended September 30, 2019	Three month ended August 31, 2018
Income tax paid	\$ -	\$ -
Interest received	\$ 82,982	\$ 37,167
Interest paid	\$ 134,304	\$ -
Non-cash investing and financing activities		
Fair value of warrants exercised	\$ -	\$ 162,811
Fair value of stock options exercised	\$ 131,500	\$ -
Fair value of warrants issued	\$ 1,426,000	\$ -
Trade and other payable related to property, plant and equipment opening	\$ -	\$ (482,745)

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

23. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (Continued)

	May 31, 2019	Cash Flows	Non-cash changes			September 30, 2019
			Loss on derivative liability	Acquisition	Settled against PP&E	
Derivative liability	\$ 3,165,000	\$ (4,041,046)	\$ 876,046	\$ -	\$ -	\$ -
Long-term debt	1,545,593	(142,553)	-	-	-	1,403,040
Total	\$ 4,710,593	\$ (4,183,599)	\$ 876,046	\$ -	\$ -	\$ 1,403,040

	May 31, 2018	Cash Flows	Non-cash changes			August 31, 2018
			Loss on derivative liability	Acquisition	Settled against PP&E	
Derivative liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

24. DISCONTINUED OPERATIONS

On September 24, 2018, the Company acquired all the shares of Metanor (note 7). The Company shut down the mining production operation at Metanor and put the mill on care and maintenance pending final clean ups and gold pours. As a result, the mining production operation has been presented as discontinued operations.

Since the acquisition of the discontinued operation only incurred in the for the period from September 24, 2018 to May 31, 2019, there is no impact to the comparative condensed consolidated interim statement of comprehensive loss.

The results of discontinued operations presented in the condensed consolidated interim statement of comprehensive loss for the four month period ended September 30, 2019 and three month period ended August 31, 2018 are as follows:

	Four months ended September 30, 2019	Three month period ended August 31, 2018
Gold sales	\$ -	\$ -
Cost of goods sold and related closure costs	(300,000)	-
Depreciation	-	-
Loss from discontinued operations	\$ (300,000)	\$ -

The net change in consolidated cash flows related to Discontinued Operations for the four month period ended September 30, 2019 and three month period ended August 31, 2018 are as follows:

	Four months ended September 30, 2019	Three month period ended August 31, 2018
Cash used in operating activities	\$ (300,000)	\$ -
Cash used in operating activities	-	-
Cash used in financing activities	-	-
Cash used in discontinued operations	\$ (300,000)	\$ -

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

25. 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 condensed consolidated interim financial statements.

Prior to the acquisition of Metanor, and for the four month period ended September 30, 2019, the Company's only operating segment was mineral exploration and development.

Four month period ended September 30, 2019	Mining Site	Exploration	Corporate	Total
Discontinued operations	\$ 300,000	\$ -	\$ -	\$ 300,000
Mill Care and maintenance	1,686,406	-	-	1,686,406
Exploration and evaluation	-	6,508,526	-	6,508,526
Recovery of flow-through premium liability	-	(1,449,000)	-	(1,449,000)
Administration	-	-	2,361,375	2,361,375
Net loss	\$ 1,986,406	\$ 5,059,526	\$ 2,361,375	\$ 9,407,307

Three month period ended August 31, 2018	Exploration	Corporate	Total
Exploration and evaluation	\$ 8,366,638	\$ -	\$ 8,366,638
Recovery of flow-through premium liability	(2,063,285)	-	(2,063,285)
Administration	-	1,279,531	1,279,531
Net loss	\$ 6,303,353	\$ 1,279,531	\$ 7,582,884

26. 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, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to two times) the annual base fee payable. In the case of a change of control, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to three times) the sum of the annual base fee and minimum incentive fee payable.

On April 12, 2019, the Company received notice of a civil claim filed by two former officers and directors seeking payment in the amount of \$1,092,000 each for change of control payments. In connection with these proceedings, a pre-judgement garnishment order had been granted by the BC Registrar, on April 12, 2019, without prior notice to Bonterra. The Supreme Court of BC set aside the garnishment and ordered the immediate return of the funds to Bonterra on June 20, 2019 and the Court of Appeal confirmed the decision on July 26, 2019. These funds were included in the cash and cash equivalents balance as at May 31, 2019. The Company has accrued in its trade and other payables a termination fee of \$500,000 each as at September 30, 2019 (May 31, 2019 - \$528,000).

On April 26, 2019, the Company received notice of claims in the amount of \$246,000 that was filed by three former consultants of the Company, claiming a contractual breach. Two of the consultants have abandoned their claims, as payment in full had been made on such claims prior to the proceedings being filed with the Courts in the year ended May 31, 2019. One consultant's claim remains, in the amount of \$90,000.

Subsequent to September 30, 2019, the Company settled both of these claims (April 12, 2019 and April 26, 2019) for a combined cash payment of \$1,000,000.

Bonterra Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Four Month Period Ended September 30, 2019 and the Three Month Period Ended August 31, 2018
(Expressed in Canadian Dollars)

26. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

As at September 30, 2019, the total annual base fee of the officers of the Company under these types of agreements was \$535,000. In the case of termination, the officers are entitled to an amount equal to \$530,000 and in the case of a change of control of the Company, the officers under certain circumstances are entitled to an amount equal to \$650,000. In addition, in the case of a change of control of Metanor, the officers under certain circumstances are entitled to an amount equal to \$420,000.

- b) The Company has entered into an office sublease agreement commencing September 1, 2017 and expiring August 30, 2022. During the year ended May 31, 2019, the Company transferred its responsibility under the lease to another party.
- c) On September 9, 2013, the Ministry of 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 paid as at September 30, 2019.

27. SUBSEQUENT EVENTS

Subsequent to September 30, 2019, announce that it has entered into an agreement with Sprott Capital Partners LP to act as lead agent (the “Lead Agent”), on its own behalf and, if applicable, on behalf of a syndicate of agents (collectively with the Lead Agent, the “Agents”), in connection with a “best efforts” private placement to raise gross proceeds of up to \$5,003,100 (the “Offering”). The Offering will consist of a combination of, (i) up to 1,334,000 common shares of the Company issued on a flow-through basis at a price of \$2.25 per common share (the “FT Shares”) for gross proceeds of up to \$3,001,500, and (b) up to 834,000 common shares of the Company issued on a flow-through basis at a price of \$2.40 per common share (the “Quebec FT Shares”) for gross proceeds of up to \$2,001,600. Collectively the FT Shares and Quebec FT Shares shall be collectively referred to as the “Offered Securities”. In addition, the Company has granted the Agents an option to increase the size of Offering by up to an additional C\$1,000,000, exercisable at any time up to three business days prior to the closing of the Offering, on the same terms and conditions under the Offering. In connection with the Offering, the Agents will be entitled to a cash fee in an amount equal to 6% of the gross proceeds of the Offering.