



Bonterra Resources Inc.

Condensed Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)



Bonterra Resources Inc.

For the Three and Nine Month Periods Ended September 30, 2022 and 2021

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Condensed Interim Financial Statements

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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 fulfils 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

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, 2022 and 2021 have not been reviewed and or audited by the Company's auditors.

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

| As at, | September 30, 2022 | December 31, 2021 |
|---|---------------------------|--------------------------|
| Assets | | |
| Current | | |
| Cash (note 19) | \$ 7,027,841 | \$ 4,479,221 |
| Marketable securities (note 7) | 60,000 | 60,000 |
| Receivables (note 8) | 8,522,996 | 2,110,547 |
| | 15,610,837 | 6,649,768 |
| Security and contract deposits (note 10) | 1,689,252 | 1,690,552 |
| Property, plant and equipment (note 11) | 21,310,947 | 38,021,449 |
| | \$ 38,611,036 | \$ 46,361,769 |
| Liabilities | | |
| Current | | |
| Trade and other payables (notes 13 and 14) | \$ 6,316,842 | \$ 5,335,221 |
| Current portion of long-term debt (note 15) | 60,540 | 64,243 |
| Flow-through premium liability (note 16) | 2,871,000 | 2,998,000 |
| | 9,248,382 | 8,397,464 |
| Asset retirement obligations (note 17) | 6,097,000 | 5,987,000 |
| Long-term debt (note 15) | 6,980 | 52,385 |
| | 15,352,362 | 14,436,849 |
| Shareholders' Equity | | |
| Share Capital (note 18) | 277,330,901 | 260,730,776 |
| Share-based Payments Reserve (note 18) | 20,041,388 | 18,681,388 |
| Deficit | (274,113,615) | (247,487,244) |
| | 23,258,674 | 31,924,920 |
| | \$ 38,611,036 | \$ 46,361,769 |

Going Concern (note 2)

Commitments and Contingent Liabilities (note 21)

Subsequent Events (note 8, 21(a) and 22)

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 periods ended September | Three Months | | Nine Months | |
|---|------------------------|-----------------------|------------------------|------------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Expenses | | | | |
| Exploration and evaluation (notes 11 and 12) | \$ (1,408,533) | \$ 8,474,278 | \$ 8,700,609 | \$ 24,613,531 |
| Mill and mine care and maintenance (note 11) | 1,765,879 | 261,614 | 5,453,935 | 803,970 |
| Salaries, management and director fees (note 14) | 302,648 | 49,587 | 1,230,268 | 419,121 |
| Office, general and other | 106,796 | 76,169 | 293,270 | 160,524 |
| Professional fees (note 14) | 328,508 | 138,125 | 554,938 | 321,319 |
| Rent | 18,300 | 16,936 | 47,800 | 55,208 |
| Share-based payments (notes 14 and 18) | 166,000 | 1,000 | 1,446,000 | 1,460,000 |
| Shareholder communications and investor relations | 59,418 | 110,273 | 238,206 | 409,814 |
| Transfer agent and filings fees | 7,335 | 7,889 | 66,739 | 76,544 |
| Travel | 16,114 | 21,958 | 35,749 | 30,876 |
| Loss Before Other Items | (1,362,465) | (9,157,829) | (18,067,514) | (28,350,907) |
| Other Items | | | | |
| Impairment of property, plant and equipment (note 11) | (15,879,900) | - | (15,879,900) | - |
| Recovery of flow-through premium liability (note 16) | 2,192,000 | 1,667,000 | 7,253,000 | 4,064,000 |
| Net interest income | 112,858 | 16,704 | 178,043 | 41,816 |
| Accretion expense (note 17) | (37,000) | (36,000) | (110,000) | (107,000) |
| Net Loss and Comprehensive Loss for the period | \$ (14,974,507) | \$ (7,510,125) | \$ (26,626,371) | \$ (24,352,091) |
| Basic and Diluted Loss Per Share | \$ (0.12) | \$ (0.07) | \$ (0.22) | \$ (0.25) |
| Weighted Average Number of Common Shares Outstanding – Basic and Diluted (000's) | 126,196 | 103,322 | 122,489 | 98,831 |

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, 2020 | 90,552,000 | \$ 242,523,018 | \$ 16,820,388 | \$ (215,566,920) | \$ 43,776,486 |
| Private placements | 20,705,000 | 29,136,750 | - | - | 29,136,750 |
| Flow-through premium liability | - | (9,063,000) | - | - | (9,063,000) |
| Share issue costs | - | (1,865,992) | - | - | (1,865,992) |
| Share-based payments | - | - | 1,861,000 | - | 1,861,000 |
| Net loss and comprehensive loss for the year | - | - | - | (31,920,324) | (31,920,324) |
| 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 |
| Balance, December 31, 2020 | 90,552,000 | \$ 242,523,018 | \$ 16,820,388 | \$ (215,566,920) | \$ 43,776,486 |
| Private placements | 12,770,000 | 17,472,300 | - | - | 17,472,300 |
| Flow-through premium liability | - | (4,064,000) | - | - | (4,064,000) |
| Share issue costs | - | (1,139,294) | - | - | (1,139,294) |
| Share-based payments | - | - | 1,460,000 | - | 1,460,000 |
| Net loss and comprehensive loss for the period | - | - | - | (24,352,091) | (24,352,091) |
| Balance, September 30, 2021 | 103,322,000 | \$ 254,792,024 | \$ 18,280,388 | \$ (239,919,011) | \$ 33,153,401 |

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)

| For the nine month periods ended September 30, | 2022 | 2021 |
|---|---------------------|---------------------|
| Operating Activities | | |
| Net loss for the period | \$ (26,626,371) | \$ (24,352,091) |
| Items not involving cash | | |
| Depreciation | 871,000 | 1,050,000 |
| Impairment of property, plant and equipment | 15,879,900 | - |
| Share-based payments | 1,446,000 | 1,460,000 |
| Recovery of flow-through premium liability | (7,253,000) | (4,064,000) |
| Marketable securities received for services | - | (40,000) |
| Accretion expense | 110,000 | 107,000 |
| Changes in non-cash working capital | | |
| Receivables | (6,412,449) | 16,174 |
| Inventory | - | 932,104 |
| Security and contract deposits | 1,300 | 439,500 |
| Trade and other payables | 981,621 | 1,651,550 |
| Cash Used in Operating Activities | (21,001,999) | (22,799,763) |
| Investing Activities | | |
| Purchase of property, plant and equipment, net of sales | (40,398) | (53,127) |
| Cash Provided by Investing Activities | (40,398) | (53,127) |
| Financing Activities | | |
| Shares issued for cash | 25,020,060 | 17,472,300 |
| Shares issuance costs | (1,553,935) | (1,139,294) |
| Proceeds received on exercise of options | 174,000 | - |
| Repayment of long-term debt | (49,108) | (586,717) |
| Cash Provided from Financing Activities | 23,591,017 | 15,746,289 |
| Inflows (outflow) of Cash | 2,548,620 | (7,106,601) |
| Cash, Beginning of Period | 4,479,221 | 12,440,180 |
| Cash, End of Period | \$ 7,027,841 | \$ 5,333,579 |

Supplemental Disclosure with Respect to Cash Flows (note 19)

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, 2022 and 2021

(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.

2. GOING CONCERN

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

The Company incurred a comprehensive loss of \$26,626,371 for the nine month period ended September 30, 2022 (Year ended December 31, 2021 - \$31,920,324) and has an accumulated deficit of \$274,113,615 at September 30, 2022 (December 31, 2021 - \$247,487,244). As at September 30, 2022, the Company had working capital of \$6,362,455 (December 31, 2021 - working capital deficiency of \$1,747,696). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

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

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

3. BASIS OF PREPARATION

a) Statement of compliance

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

Bonterra Resources Inc.
Notes to the Condensed Interim Financial Statements
For the Three and Nine Month Periods Ended September 30, 2022 and 2021
(Expressed in Canadian Dollars)

3. BASIS OF PREPARATION (Continued)

a) Statement of compliance (Continued)

These condensed interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 10, 2022.

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, 2021.

a) 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.

4. FUTURE ACCOUNTING POLICIES AND STANDARDS ADOPTED

New accounting standard adopted during the period

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

IFRS 3 – Business Combinations ("IFRS 3") was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022. This amendment did not have a material impact on the Company's interim condensed financial statements

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

New accounting standards not yet effective and not yet applied

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

Bonterra Resources Inc.

Notes to the Condensed Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

4. FUTURE ACCOUNTING POLICIES AND STANDARDS ADOPTED (Continued)

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

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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Critical judgments in applying accounting policies

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

a) Title to mineral property interests

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

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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

c) Going concern risk assessment

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

d) Provisions and contingent liabilities

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

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

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

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.

g) Leases

The Company is required to make judgments in determining the lease term. Management considers all facts and circumstances, including economic incentives to exercise an extension option and its asset management strategy. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

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.

Bonterra Resources Inc.

Notes to the Condensed Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

a) Asset retirement obligations

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

b) Valuation of flow-through premium

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

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, 2022 and December 31, 2021:

| September 30, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---------------------------|--------------|---------|-----------|--------------|
| Cash | \$ 7,027,841 | \$ - | \$ - | \$ 7,027,841 |
| Marketable securities | \$ 50,000 | \$ - | \$ 10,000 | \$ 60,000 |
| December 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
| Cash | \$ 4,479,221 | \$ - | \$ - | \$ 4,479,221 |
| Marketable securities | \$ 50,000 | \$ - | \$ 10,000 | \$ 60,000 |

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

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

Bonterra Resources Inc.

Notes to the Condensed Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

6. 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, by placing it at major Canadian financial institutions. Included in receivables is \$8,506,841 (December 31, 2021 - \$2,064,861) owing from the Canada Revenue Agency and Revenu Québec. Management of the Company believes it has minimal credit risk.

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, 2022 equal \$9,248,382 (December 31, 2021 - \$8,397,464). The cash is sufficient to meet the Company's financial obligations at September 30, 2022.

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, 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.

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, 2022 totalled \$23,258,674 (December 31, 2021 - \$31,924,920).

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

Bonterra Resources Inc.

Notes to the Condensed Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (Continued)

d) Capital management (Continued)

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, 2022, and year ended December 31, 2021.

7. MARKETABLE SECURITIES

As at September 30, 2022, marketable securities consisted of shares in publicly-traded or reporting issuer companies with a cost of \$60,000 (December 31, 2021 - \$60,000) and a fair value of \$60,000 (December 31, 2021 - \$60,000).

8. RECEIVABLES

| As at, | September 30, 2022 | December 31, 2021 |
|------------------------------------|---------------------------|---------------------|
| Sales tax receivable | \$ 1,206,841 | \$ 2,064,861 |
| Exploration tax credits receivable | 7,300,000 | - |
| Other receivables | 16,155 | 45,686 |
| Total receivables | \$ 8,522,996 | \$ 2,110,547 |

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

| As at, | September 30, 2022 | December 31, 2021 |
|--------------------------------|---------------------------|-------------------|
| 1 -90 days | \$ 16,155 | \$ 45,686 |
| Total other receivables | \$ 16,155 | \$ 45,686 |

At September 30, 2022 and December 31, 2021, the Company anticipates full recovery of these receivables and therefore no allowance has been recorded against these receivables. The credit risk on the receivables has been further discussed in note 6(a). The Company holds no collateral for any receivable amounts outstanding as at September 30, 2022 and December 31 2021. Subsequent to September 30, 2022, the Company has received all of the other receivables outstanding as at September 30, 2022 as well as \$824,570 of sales taxes receivable. The Company expects to receive in full the exploration tax credits receivable by December 31, 2022.

9. INVENTORY

| As at, | September 30, 2022 | December 31, 2021 |
|--------------------------------|---------------------------|-------------------|
| Gold and silver finished goods | \$ - | \$ - |
| Total | \$ - | \$ - |

During the nine month period ended September 30, 2021, precious metal inventory previously held as at December 31, 2020, was sold for proceeds of \$932,104.

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10. SECURITY AND CONTRACT DEPOSITS

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

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

11. PROPERTY, PLANT AND EQUIPMENT

| Cost | Mill infrastructure and related equipment | Underground infrastructure and related equipment | Exploration and related equipment | Total |
|---|---|--|---|----------------------|
| Balance, December 31, 2020 | \$ 11,863,770 | \$ 22,195,400 | \$ 9,075,652 | \$ 43,134,822 |
| Additions | - | - | 93,127 | 93,127 |
| Disposals | - | - | (46,000) | (46,000) |
| 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 | - | (15,913,900) | - | (15,913,900) |
| Balance, September 30, 2022 | \$ 11,863,770 | \$ 6,081,500 | \$ 9,358,177 | \$ 27,303,447 |
| Depreciation | | | | |
| Balance, December 31, 2020 | \$ 528,600 | \$ 1,291,300 | \$ 1,943,600 | \$ 3,763,500 |
| Depreciation | 200,000 | 489,000 | 714,000 | 1,403,000 |
| Disposals | - | - | (6,000) | (6,000) |
| Balance, December 31, 2021 | \$ 728,600 | \$ 1,780,300 | \$ 2,651,600 | \$ 5,160,500 |
| Depreciation | 135,000 | 249,000 | 487,000 | 871,000 |
| Transfer | - | (64,700) | 64,700 | - |
| Disposals | - | - | (5,000) | (5,000) |
| Impairment | - | (34,000) | - | (34,000) |
| Balance, September 30, 2022 | \$ 863,600 | \$ 1,930,600 | \$ 3,198,300 | \$ 5,992,500 |
| Net book value, December 31, 2021 | \$ 11,135,170 | \$ 20,415,100 | \$ 6,471,179 | \$ 38,021,449 |
| Net book value, September 30, 2022 | \$ 11,000,170 | \$ 4,150,900 | \$ 6,159,877 | \$ 21,310,947 |

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11. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the nine month period ended September 30, 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 \$15,879,900 (2021 - \$Nil) during the nine month period ended September 30, 2022.

Depreciation for the nine month period ended September 30, 2022 is reflected as \$407,000 (2021 - \$900,000) recorded in exploration and evaluation expenditures and \$464,000 (2021 - \$150,000) recorded in mill and mine care and maintenance costs.

12. 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.

(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.

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12. EXPLORATION AND EVALUATION PROPERTIES (Continued)

a) Gladiator Property (Continued)

(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.

(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.

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12. EXPLORATION AND EVALUATION PROPERTIES (Continued)

a) Gladiator Property (Continued)

(xii) Duke Property (Continued)

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.

(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.

a) 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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12. 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) *Wahnapipei*

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, 2022 and 2021 is as follows:

| September 30, 2022 | Quebec Properties | Total |
|--|--------------------------|----------------------|
| Acquisition costs | \$ - | \$ - |
| Net exploration costs | 8,700,609 | 8,700,609 |
| Total exploration and evaluation expenditures | \$ 8,700,609 | \$ 8,700,609 |
| September 30, 2021 | Quebec Properties | Total |
| Acquisition costs | \$ - | \$ - |
| Net exploration costs | 24,613,531 | 24,613,531 |
| Total exploration and evaluation expenditures | \$ 24,613,531 | \$ 24,613,531 |

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12. EXPLORATION AND EVALUATION PROPERTIES (Continued)

Included in exploration and evaluation expenditures for the nine month period ended September 30, 2022 is depreciation of \$407,000 (2021 - \$900,000). The Company has applied for exploration tax credits for exploration work done between 2020 to 2021. In the event that the Company receives any additional exploration tax credits it has claimed, these amounts will likely increase the amount the Company's flow-through expenditure requirements. The exploration and evaluation expenditures for the nine month period ended September 30, 2022 are net of \$10,177,784 (2021 - \$Nil) in exploration tax credits receivable from Revenu Québec of which \$2,877,784 has been received and \$7,300,000 is expected to be received by December 31, 2022.

Included in exploration and evaluation expenditures for the nine month period ended September 30, 2022 is a reduction to exploration and evaluation expenditures from the NRV of precious metals produced or sold from the Company's bulk sample of \$Nil (2021 - \$1,115,994) (Year ended December 31, 2021 - \$1,115,994) from the production of Nil (2021 - 472.44) (Year ended December 31, 2021 - 472.44) ounces of gold and Nil (2021 - 65.66) (Year ended December 31, 2021 - 65.66) ounces of silver.

13. 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, 2022 | December 31, 2021 |
| Trade payables | \$ 5,273,532 | \$ 4,604,934 |
| Accrued liabilities and other payables | 1,043,310 | 730,287 |
| Total trade and other payables | \$ 6,316,842 | \$ 5,335,221 |

14. 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 periods ended September 30, | 2022 | 2021 |
|--|---------------------|---------------------|
| Short-term compensation | | |
| Salaries, management and director fees | \$ 646,000 | \$ 351,000 |
| Professional fees | 180,000 | 180,000 |
| Termination fees paid or accrued (Note 21) | 505,000 | - |
| | 1,331,000 | 531,000 |
| Share-based payments | 1,446,000 | 894,000 |
| | \$ 2,777,000 | \$ 1,425,000 |

Included in trade and other payables at September 30, 2022 was \$300,000 (December 31, 2021 - \$146,000) due to officers and or directors for expense reimbursements, unpaid fees and termination payments. The amounts payable are non-interest-bearing, uncollateralized and are repayable on demand.

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15. LONG-TERM DEBT

| As at, | September 30, 2022 | December 31, 2021 |
|---|--------------------|-------------------|
| Loans payable, secured by rolling stock and mining equipment, 0.00%, payable in monthly instalments, from 2022 to 2023 | \$ 67,520 | \$ 116,628 |
| | 67,520 | 116,628 |
| Current portion of long-term debt | (60,540) | (64,243) |
| | \$ 6,980 | \$ 52,385 |

The instalments on long-term debt for the forthcoming years as at September 30, 2022 are as follows:

| | Loans payable |
|------------------------|---------------|
| 2022 | \$ 60,540 |
| 2023 | 6,980 |
| Total minimum payments | \$ 67,520 |

16. 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 Nine Month Period Ended September 30, 2022 | Total |
|--|--|--|---------------------|
| Balance, December 31, 2020 | \$ - | \$ - | \$ - |
| Liability incurred on flow through shares issued April 2021 | 4,064,000 | - | 4,064,000 |
| Liability incurred on flow through shares issued October 2021 | 4,999,000 | - | 4,999,000 |
| Settlement of flow-through premium liability by incurring expenditures | (6,065,000) | - | (6,065,000) |
| Balance, December 31, 2021 | \$ 2,998,000 | \$ - | \$ 2,998,000 |
| 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) | (4,255,000) | (7,253,000) |
| Balance, September 30, 2022 | \$ - | \$ 2,871,000 | \$ 2,871,000 |

At September 30, 2022, the Company had a remaining commitment to incur exploration expenditures of approximately \$7,000,000 (December 31, 2021 - \$7,000,000) in relation to its flow-through share financing. Details of recent flow-through shares issued is below:

For the nine month period ended September 30, 2022

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

For the year ended December 31, 2021

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

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16. FLOW-THROUGH PREMIUM LIABILITY (Continued)

For the year ended December 31, 2021 (Continued)

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

17. 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:

| As at, | September 30, 2022 | December 31, 2021 |
|-----------------------------------|---------------------------|--------------------------|
| Balance, beginning of period/year | \$ 5,987,000 | \$ 5,844,000 |
| Accretion expense | 110,000 | 143,000 |
| Balance, end of period/year | \$ 6,097,000 | \$ 5,987,000 |

b) Information used in the calculation of obligations

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

c) Distribution of asset retirement obligations

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

| As at, | September 30, 2022 | December 31, 2021 |
|-----------------------|---------------------------|--------------------------|
| Barry site | \$ 530,000 | \$ 520,000 |
| Bachelor mill complex | 5,567,000 | 5,467,000 |
| | \$ 6,097,000 | \$ 5,987,000 |

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18. 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, 2022

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

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

During the year ended December 31, 2021

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

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

c) Warrants

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

| For the, | Nine Month Period Ended September 30, 2022 | | Year Ended December 31, 2021 | |
|---------------------------------------|---|--|---|--|
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| Outstanding, beginning of period/year | - | - | 5,589,835 | \$ 3.10 |
| Expired | - | - | (5,589,835) | \$ 3.10 |
| Outstanding, end of period/year | - | - | - | - |

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18. SHARE CAPITAL (Continued)

d) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a twelve-month period with no more than 25% of the options vesting in any three-month period. As at September 30, 2022, the Company had 3,924,550 (December 31, 2021 - 2,870,700) options remaining available for issuance under the plan.

The following is a summary of option transactions under the Company's stock option plan for the nine month period ended September 30, 2022 and year ended December 31, 2021:

| For the, | Nine Month Period Ended September 30, 2022 | Year Ended December 31, 2021 | | |
|---|---|--|----------------------|--|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding and exercisable, beginning of period/year | 8,255,000 | \$ 1.39 | 4,346,111 | \$ 1.72 |
| Transactions during the year: | | | | |
| Granted | 1,300,000 | 1.32 | 5,060,000 | 1.23 |
| Exercised ⁽¹⁾ | (150,000) | 1.16 | - | - |
| Expired | (710,000) | 1.41 | (1,151,111) | 1.96 |
| Outstanding, end of period/year | 8,695,000 | \$ 1.38 | 8,255,000 | \$ 1.39 |
| Exercisable, end of period/year | 6,820,000 | \$ 1.41 | 5,755,000 | \$ 1.44 |

¹ 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 (year ended December 31, 2021 - \$Nil).

The following table provides additional information about outstanding stock options at September 30, 2022:

| Range of Exercise Prices (\$) | No. of Options Outstanding | Weighted Average Exercise Price (\$) | Weighted Average Remaining Life (Years) | No. of Options Exercisable | Weighted Average Exercise Price of Exercisable (\$) |
|-------------------------------|----------------------------------|---|---|-------------------------------|---|
| 1.16 – 1.27 | 4,260,000 | 1.22 | 3.54 | 2,385,000 | 1.19 |
| 1.32 – 2.00 | 4,435,000 | 1.53 | 2.40 | 4,435,000 | 1.53 |
| 1.16 – 2.00 | 8,695,000 | 1.38 | 2.96 | 6,820,000 | 1.41 |

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

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

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18. SHARE CAPITAL (Continued)

d) Stock options (Continued)

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

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

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

| For the, | Nine Month Period Ended September 30, 2022 | Year Ended December 31, 2021 |
|--|--|------------------------------------|
| Expected life (years) | 5 | 4.98 |
| Risk-free interest rate | 1.61% | 1.19% |
| Expected annualized volatility | 57% | 59% |
| Dividend yield | N/A | N/A |
| Stock price at grant date | \$1.32 | \$1.22 |
| Exercise price | \$1.32 | \$1.23 |
| Weighted average grant date fair value | \$0.66 | \$0.61 |

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

19. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| Nine month period ended, | September 30, 2022 | September 30, 2021 |
|--------------------------|--------------------|--------------------|
| Interest received | \$ 180,608 | \$ 70,536 |
| Interest paid | \$ (2,565) | \$ (28,720) |

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

| | Non-cash changes | | | |
|----------------|-------------------|--------------|----------------|--------------------|
| | December 31, 2020 | Cash Flows | Loan Additions | September 30, 2021 |
| Long-term debt | \$ 720,658 | \$ (586,717) | \$ - | \$ 133,941 |

20. 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, 2022 and 2021, the Company's two operating segment were mining site care and maintenance and mineral exploration. All other costs are considered corporate administration costs.

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20. SEGMENTED DISCLOSURE (Continued)

| Nine month period ended September 30, 2022 | Mining Site | Exploration | Corporate | Total |
|---|---------------------|---------------------|----------------------|----------------------|
| 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 |
| Net loss | \$ 5,453,935 | \$ 1,447,609 | \$ 19,724,827 | \$ 26,626,371 |

| Nine month period ended September 30, 2021 | Mining Site | Exploration | Corporate | Total |
|---|--------------------|----------------------|---------------------|----------------------|
| Mill and Mine care and maintenance | \$ 803,970 | \$ - | \$ - | \$ 803,970 |
| Exploration and evaluation | - | 24,613,531 | - | 24,613,531 |
| Recovery of flow-through premium liability | - | (4,064,000) | - | (4,064,000) |
| Administration | - | - | 2,998,590 | 2,998,590 |
| Net loss | \$ 803,970 | \$ 20,549,531 | \$ 2,998,590 | \$ 24,352,091 |

21. COMMITMENTS AND CONTINGENT LIABILITIES

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

As at September 30, 2022, the Company had three (December 31, 2021 – four) of these types of agreements with officers of the Company that totaled annual base fees of \$690,000 and US\$120,000 (December 31, 2021 – \$955,000 and US\$120,000). In the case of termination, the officers are entitled to an amount equal to \$570,000 and US\$120,000 (December 31, 2021 – \$955,000 and US\$120,000) and in the case of a change of control of the Company, the officers under certain circumstances are entitled to an amount equal to \$1,140,000 and US\$120,000 (December 31, 2021 – \$1,670,000 and US\$120,000). During the nine month period ended September 30, 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 \$265,000 and also recorded an accrual in trade and other payables of \$240,000, which was paid subsequent to September 30, 2022, for total consideration of \$505,000. On addition, subsequent to September 30, 2022, the Company amended one of these agreements with an officer of the Company that called for a payment in the amount of US\$120,000 in the case of termination and US\$120,000 in the case of a change of control of the Company, to eliminate the potential termination and change of control payments for no additional consideration.

- b) On September 9, 2013, the Ministry of Energy and Natural Resources of Quebec approved the update of the restoration plan of the Bachelor mine. The financial guarantee covering the restoration costs amount to \$4,000,104 which has been covered by insurance bonds as at September 30, 2022 and December 31, 2021 (note 10).

22. SUBSEQUENT EVENTS

Subsequent to September 30, 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.