



Bonterra Resources Inc.

Financial Statements

For the Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)



Bonterra Resources Inc.

For the Years Ended December 31, 2021 and 2020

INDEX

Page

Financial Statements

Management's Responsibility for Financial Reporting

Independent Auditor's Report to the Shareholders

Statements of Financial Position 1

Statements of Comprehensive Loss 2

Statements of Changes in Equity 3

Statements of Cash Flows 4

Notes to the Financial Statements 5-32

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

"Marc-Andre Pelletier" (signed)

Chief Executive Officer

"Johnny Oliveira" (signed)

Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Bonterra Resources Inc.

Opinion

We have audited the financial statements of Bonterra Resources Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2021 and December 31, 2020 and the statements of comprehensive loss, changes in equity and cash flow for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and December 31, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

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

Other Information

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

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada
April 29, 2022**

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

As at December 31,	2021	2020
Assets		
Current		
Cash (note 23)	\$ 4,479,221	\$ 12,440,180
Marketable securities (note 7)	60,000	20,000
Receivables (note 8)	2,110,547	1,550,152
Inventory (note 9)	-	932,104
	6,649,768	14,942,436
Security and contract deposits (note 10)	1,690,552	1,902,600
Property, plant and equipment (notes 11 and 12)	38,021,449	39,371,322
	\$ 46,361,769	\$ 56,216,358
Liabilities		
Current		
Trade and other payables (notes 13, and 14)	\$ 5,335,221	\$ 5,875,214
Current portion of long-term debt (note 16)	64,243	368,793
Flow-through premium liability (note 17)	2,998,000	-
	8,397,464	6,244,007
Asset retirement obligations (note 18)	5,987,000	5,844,000
Long-term debt (note 16)	52,385	351,865
	14,436,849	12,439,872
Shareholders' Equity		
Share Capital (note 19)	260,730,776	242,523,018
Share-based Payments Reserve (note 19)	18,681,388	16,820,388
Deficit	(247,487,244)	(215,566,920)
	31,924,920	43,776,486
	\$ 46,361,769	\$ 56,216,358

Going Concern (note 2)

Commitments and Contingent Liabilities (notes 10, 17 and 23)

Subsequent Events (notes 8, 23 and 24)

Approved on behalf of the Board:

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

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

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

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

For the year ended December 31,	2021	2020
Expenses		
Exploration and evaluation (notes 9, 12 and 14)	\$ 31,321,772	\$ 18,815,196
Mill care and maintenance (note 11)	2,357,834	962,515
Salaries, management and director fees (note 14)	943,955	1,300,972
Office and general	201,707	362,274
Professional fees (note 14)	485,589	442,738
Rent	74,332	84,370
Share-based payments (notes 14 and 19)	1,861,000	2,794,000
Shareholder communications and investor relations	495,891	281,734
Transfer agent and filings fees	111,040	86,865
Consulting fees	-	(254,783)
Travel	41,422	80,125
Loss Before Other Items	(37,894,542)	(24,956,006)
Other Items		
Recovery of flow-through premium liability (note 17)	6,065,000	4,454,000
Net interest income (expense)	52,218	(40,666)
Accretion expense (note 18)	(143,000)	(140,000)
Net Loss and Comprehensive Loss for the year	\$ (31,920,324)	\$ (20,682,672)
Basic and Diluted Loss Per Share	\$ (0.31)	\$ (0.26)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted (000's)	101,529	78,286

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

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

	Share Capital		Share-based Payments Reserve	Defi
	Number of Shares	Share Capital		
Balance, December 31, 2019	77,493,522	\$ 227,989,584	\$ 14,026,388	\$ (194,
Private placements	13,043,478	15,000,000	-	
Share issue costs	-	(477,966)	-	
Shares issued for exploration and evaluation	15,000	11,400	-	
Share-based payments	-	-	2,794,000	
Net loss and comprehensive loss for the year	-	-	-	(20,
Balance, December 31, 2020	90,552,000	\$ 242,523,018	\$ 16,820,388	\$ (215,
Private placements	20,705,000	29,136,750	-	
Flow through premium liability	-	(9,063,000)	-	
Share issue costs	-	(1,865,992)	-	
Share-based payments	-	-	1,861,000	
Net loss and comprehensive loss for the year	-	-	-	(31,
Balance, December 31, 2021	111,257,000	\$ 260,730,776	\$ 18,681,388	\$ (247,

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

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

For the year ended December 31,	2021	2020
Operating Activities		
Net loss for the year	\$ (31,920,324)	\$ (20,682,672)
Items not involving cash		
Depreciation	1,403,000	1,528,000
Share-based payments	1,861,000	2,794,000
Shares issued for exploration and evaluation	-	11,400
Recovery of flow-through premium liability	(6,065,000)	(4,454,000)
Marketable securities received for services	(40,000)	-
Accretion expense	143,000	140,000
Changes in non-cash working capital		
Receivables	(560,395)	(330,328)
Inventory	932,104	(932,104)
Prepaid expenses	-	35,956
Security and contract deposits	212,048	2,830,291
Trade and other payables	(539,993)	(1,086,743)
Cash Used in Operating Activities	(34,574,560)	(20,146,200)
Investing Activities		
Purchase of property, plant and equipment	(53,127)	(169,028)
Cash Used in Investing Activities	(53,127)	(169,028)
Financing Activities		
Shares issued for cash	29,136,750	15,000,000
Shares issuance costs	(1,865,992)	(477,966)
Payment of long-term debt	(604,030)	(529,065)
Cash Provided from Financing Activities	26,666,728	13,992,969
Outflow of Cash	(7,960,959)	(6,322,259)
Cash, Beginning of Year	12,440,180	18,762,439
Cash, End of Year	\$ 4,479,221	\$ 12,440,180

Supplemental Disclosure with Respect to Cash Flows (note 20)

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

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

2. GOING CONCERN

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

The Company incurred a comprehensive loss of \$31,920,324 for the year ended December 31, 2021 (2020 - \$20,682,672) and has an accumulated deficit of \$247,487,244 at December 31, 2021 (2020 - \$215,566,920). As at December 31, 2021, the Company had a working capital deficiency of \$1,747,696 (2020 - \$8,698,429 working capital). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

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

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

3. BASIS OF PREPARATION

a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 28, 2022.

3. BASIS OF PREPARATION (Continued)

b) Basis of measurement

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

a) Cash

Cash includes cash on hand, demand deposits with financial institutions, and other short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

b) Exploration and evaluation expenditures

Exploration and evaluation expenditures, including acquisition costs, are expensed in the year in which they are incurred. Mining exploration tax credits for certain exploration expenditures incurred are recorded against exploration and evaluation expenditures when received.

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

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

c) Asset retirement obligations

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

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

d) Inventory

Inventory, comprised of materials, supplies, gold doré and gold in-circuit are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and selling costs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Inventory (Continued)

For the above items, cost is determined on the following basis:

- Gold doré inventory includes doré bars in transit to, or being held at the refineries and is valued at average production cost;
- Gold in-circuit is valued at the average cost of production of the material that is currently in the process of being converted to a gold doré;
- Materials and supplies, including mine and mill operating supplies, are valued using the weighted average cost.

Any provision for obsolescence is determined by reference to specific items of inventory. A review is undertaken at each reporting period to determine the extent of any provision for obsolescence. The average cost of production includes all costs directly attributable to the mineral extraction and processing process, including the systematic allocation of general fees incurred during the process.

e) Property, plant and equipment

Producing properties

Producing properties include the mine development expenditures, estimated costs of restoring the sites of the Company's producing and mines under development and are measured at cost less accumulated depletion and impairment.

Mine development expenditures

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

Plant and equipment

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

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

Depreciation and depletion

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

- Producing properties, including mine development expenditures and deferred stripping costs, are amortized over the life-of-mine using the unit-of-production method. The depreciation rate of producing properties is calculated based on the number of ounces sold. The life-of-mine is based on the proven and probable mineral reserves and a portion of measured, indicated and inferred resources that the Company considers highly likely to be able to convert into reserves. The depreciation calculation takes into account the development costs that will be incurred in the future to be able to access these reserves and resources.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property, plant and equipment (Continued)

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

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

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

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

f) Post-employment benefits and short-term employee benefits

The Company provides post-employment benefits through a defined contribution plan. A defined contribution plan is a pension plan under which the Company makes contributions, established according to a percentage of the employee's salary, to an independent entity. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution during the employment period.

Short-term employee benefits, including vacation entitlement, are current liabilities included in "trade and other payables", and are measured at the undiscounted amount that the Company expects to pay.

g) Royalties payable

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

h) Commercial production

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

i) Financing fees

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

j) Provisions and contingent liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Revenue recognition

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

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

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

l) Leases

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Leases (Continued)

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

m) Borrowing costs

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Borrowing costs (Continued)

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

n) Income taxes

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

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

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

o) Share capital

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

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

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

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

p) Earnings (loss) per share

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Flow-through shares

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

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

r) Share-based payments

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Business combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in comprehensive loss.

Goodwill is initially measured as the excess of the aggregate of the fair value of consideration transferred over the fair value of identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in comprehensive loss.

t) Impairment of non-financial assets

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

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

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

u) Financial instruments

i) Classification

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) Financial instruments (Continued)

i) Classification (Continued)

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

There are no financial assets classified as "FVOCI".

ii) Measurement

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

Impairment of financial assets at amortized cost

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

iii) Derecognition

Financial assets

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

v) Future accounting policies and policies adopted

i) 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, 2021 and, accordingly, have not been applied in preparing these financial statements. The Company has assessed the impact of the application of these standards or amendments on the financial statements of the Company and does not expect them to have a material impact on the financial statements of the Company once adopted.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Future accounting policies and policies adopted (Continued)

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

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.

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.

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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Critical judgments in applying accounting policies

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

a) Title to mineral property interests

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

b) Income taxes

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

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

c) Going concern risk assessment

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

d) Provisions and contingent liabilities

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

f) Impairment of long-term assets

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

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.

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.

c) 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 deposits 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.

Bonterra Resources Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Key sources of estimation uncertainty (Continued)

c) Mineral reserve estimate (Continued)

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 mineral 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:

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 mineral reserves affect expectations about the timing or cost of these activities.

6. FINANCIAL INSTRUMENTS

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

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

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities,
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets measured at fair value by levels within the fair value hierarchy as at December 31, 2021 and 2020:

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
December 31, 2020	Level 1	Level 2	Level 3	Total
Cash	\$ 12,440,180	\$ -	\$ -	\$ 12,440,180
Marketable securities	\$ 10,000	\$ -	\$ 10,000	\$ 20,000

6. FINANCIAL INSTRUMENTS (Continued)

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

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

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. Included in receivables is \$2,064,861 (December 31, 2020 - \$1,525,669) 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 December 31, 2021 equal \$8,397,464 (December 31, 2020 - \$6,244,007). The cash, plus the private placement completed subsequent to December 31, 2021 (see note 24), is sufficient to meet the Company's financial obligations at December 31, 2021.

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.

Bonterra Resources Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (Continued)

d) Capital management (Continued)

The Company considers its capital to be equity, which is comprised of share capital, share based payments reserve and deficit, which as at December 31, 2021 totalled \$31,924,920 (2020 –\$43,776,486).

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

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

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the years ended December 31, 2021 and 2020.

7. MARKETABLE SECURITIES

As at December 31, 2021, marketable securities consisted of shares in publicly-traded or reporting issuer companies with a cost of \$60,000 (2020 - \$20,000) and a fair value of \$60,000 (2020 - \$20,000).

8. RECEIVABLES

As at December 31,	2021	2020
Sales tax receivable	\$ 2,064,861	\$ 1,525,669
Other receivables	45,686	24,483
Total receivables	\$ 2,110,547	\$ 1,550,152

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

As at December 31,	2021	2020
1 -90 days	\$ 45,686	\$ 24,483
Total other receivables	\$ 45,686	\$ 24,483

At December 31, 2021 and 2020, the Company anticipates full recovery of these receivables and therefore no allowance has been recorded against these receivables. The credit risk on the receivables has been further discussed in note 6(a). The Company holds no collateral for any receivable amounts outstanding as at December 31, 2021 and 2020. Subsequent to December 31, 2021, the Company has received \$1,145,000 of the sales tax receivable and all of the other receivables outstanding as at December 31, 2021.

9. INVENTORY

As at December 31,	2021	2020
Gold and silver finished goods	\$ -	\$ 932,104
Total	\$ -	\$ 932,104

Included in inventory as at December 31, 2020 was precious metal inventory of 376.102 ounces of gold and 166.132 ounces of silver from the Company's bulk sample during the year ended December 31, 2020 valued at its net realizable value ("NRV") of \$932,104. During the year ended December 31, 2021, this precious metal inventory was sold for proceeds of \$932,104, which were recorded as a reduction of exploration and evaluation expenditures (see note 12).

Bonterra Resources Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

10. SECURITY AND CONTRACT DEPOSITS

As at December 31, 2021, the Company had \$1,690,552 (December 31, 2020 - \$1,902,600) in deposits with the Government of Quebec for the settlement of asset retirement obligations and security deposits, comprised of \$144,600 (December 31, 2020 - \$144,600) in deposits with Hydro Quebec and \$1,545,952 (December 31, 2020 - \$1,758,000) 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 project was reviewed 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 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, 2019	\$ 11,863,770	\$ 22,195,400	\$ 8,875,664	\$ 42,934,834
Additions	-	-	199,988	199,988
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
Depreciation				
Balance, December 31, 2019	\$ 306,600	\$ 748,300	\$ 1,180,600	\$ 2,235,500
Depreciation	222,000	543,000	763,000	1,528,000
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
Net book value, December 31, 2020	\$ 11,335,170	\$ 20,904,100	\$ 7,132,052	\$ 39,371,322
Net book value, December 31, 2021	\$ 11,135,170	\$ 20,415,100	\$ 6,471,179	\$ 38,021,449

Depreciation for the year ended December 31, 2021 is reflected as 1,203,000 (2020 - \$1,306,000) recorded in exploration and evaluation expenditures and as 200,000 (2020 - \$222,000) recorded in mill 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.

12. EXPLORATION AND EVALUATION PROPERTIES (Continued)

a) Gladiator Property (Continued)

(ii) *West Arena Property*

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

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

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

(iii) *East Arena Property*

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

(iv) *St-Cyr Property*

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

(v) *West Lacroix Lake Property*

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

(vi) *Lac Barry Property*

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

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

(vii) *Macho South Property*

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

(viii) *Barry Property*

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

(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.

12. EXPLORATION AND EVALUATION PROPERTIES (Continued)

a) Gladiator Property (Continued)

(x) *Thubière Property*

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

(xi) *Lac Mista Property*

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

(xii) *Duke Property*

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

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

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

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

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

During the year ended December 31, 2021, the Company completed the earn in and Osisko and the Company (each a "Party") formed a joint venture (the "JV") in which Bonterra was deemed to have contributed \$7,000,000 and Osisko \$3,000,000 respectively, to represent a 70/30 % working interest (the "Working Interest"). Pursuant to the JV, if the Working Interest of any Party is reduced to at or below a 5% Working Interest, the JV will terminate and a termination payment is owed to the party below 5% by either (i) a cash payment of the sum of \$1,500,000; or (ii) such number of shares in the capital of the other Party that is equal in value to \$1,500,000, based upon the current market price on the termination date.

(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.

12. EXPLORATION AND EVALUATION PROPERTIES (Continued)

a) Gladiator Property (Continued)

(xiv) Lapointe Property

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

b) Barry Property

(i) Barry

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

(ii) Barry United

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

(iii) Barry Extension

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

(iv) Barry Souart

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

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.

Bonterra Resources Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

12. EXPLORATION AND EVALUATION PROPERTIES (Continued)

d) Other Properties

(i) *Wahnapiitei*

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

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

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

Exploration and evaluation expenditures:

A summary of exploration and evaluation expenditures for the years ended December 31, 2021 and 2020 is as follows:

December 31, 2021	Quebec Properties	Total
Net exploration costs	\$ 31,321,772	\$ 31,321,772
Total exploration and evaluation expenditures	\$ 31,321,772	\$ 31,321,772
December 31, 2020	Quebec Properties	Total
Acquisition costs	\$ 321,400	\$ 321,400
Net exploration costs	18,493,796	18,493,796
Total exploration and evaluation expenditures	\$ 18,815,196	\$ 18,815,196

Included in exploration and evaluation expenditures for the year ended December 31, 2021 is depreciation of \$1,203,000 (2020 - \$1,306,000). In addition, the exploration and evaluation expenditures for the year ended December 31, 2021 are net of \$Nil (2020 - \$4,529,345) mining tax credits received from Revenu Québec of which \$Nil (2020 - \$3,347,530) of the mining tax credits received increased the amount of the Company's flow-through expenditure requirements. The Company has applied for additional mining tax credits for exploration work done between 2019 to 2021. In the event that the Company receives any additional mining tax credits it has claimed, these amounts will likely increase the amount the Company's flow-through expenditure requirements.

Included in exploration and evaluation expenditures for the year ended December 31, 2021 is a reduction to exploration and evaluation expenditures from the NRV of precious metals produced or sold from the Company's bulk sample of \$1,115,994 (2020 - \$3,662,540) from the production of 472.44 (2020 - 1,500.22) ounces of gold and 65.66 (2020 - 166.132) ounces of silver. Of the \$3,662,540 proceeds from the year ended December 31, 2020, \$932,104 was included as inventory as at December 31, 2020 and was sold during the year ended December 31, 2021.

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.

Bonterra Resources Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

13. TRADE AND OTHER PAYABLES (Continued)

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

	As at December 31,	
	2021	2020
Trade payables	\$ 4,604,934	\$ 4,815,228
Accrued liabilities and other payables	730,287	1,059,986
Total trade and other payables	\$ 5,335,221	\$ 5,875,214

14. RELATED PARTY TRANSACTIONS

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

For the year ended December 31,	2021	2020
Short-term compensation		
Exploration and evaluation expenditures	\$ -	\$ 62,000
Salaries, management and director fees	684,000	685,000
Professional fees	360,000	300,000
Termination fees paid or accrued (Note 23)	-	485,000
	1,044,000	1,532,000
Share-based payments	1,295,000	2,214,000
	\$ 2,339,000	\$ 3,746,000

Included in trade and other payables at December 31, 2021 was \$146,000 (2020 - \$92,000) due to officers and or directors for expense reimbursements and unpaid fees. The amounts payable are non-interest-bearing, uncollateralized and are repayable on demand.

15. MINING TAXES PAYABLE

Mining taxes payable as at December 31, 2021 was \$Nil (2020 - \$Nil). The amounts owing related to minimum taxes owing on the mining gold production at Metanor from July 2014 to December 2018 assessed by Revenu Québec. During the year ended December 31, 2020, the Company recorded interest on these mining taxes payable of \$134,000 and made a payment to Revenu Québec of \$134,000.

16. LONG-TERM DEBT

As at December 31,	2021	2020
Loans payable, secured by rolling stock and mining equipment, 0.00% to 5.98%, payable in monthly instalments, from 2022 to 2023	\$ 116,628	\$ 328,327
Obligations under finance arrangements, 5.17% to 6.99%, payable in monthly instalments, maturing from 2021 to 2023	-	392,331
	116,628	720,658
Current portion of long-term debt	(64,243)	(368,793)
	\$ 52,385	\$ 351,865

The instalments on long-term debt for the forthcoming years as at December 31, 2021 are as follows:

	Loans payable
2022	\$ 64,243
2023	52,385
Total minimum payments	\$ 116,628

Bonterra Resources Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

17. 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 Seven Month Period Ended December 31, 2019	Issued During the Year Ended December 31, 2021	Total
Balance, December 31, 2019	\$ 4,454,000	\$ -	\$ 4,454,000
Settlement of flow-through premium liability by incurring expenditures	(4,454,000)	-	(4,454,000)
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

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

For the year ended December 31, 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.

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.

For the seven month period ended December 31, 2019

On December 13, 2019, the Company issued 1,307,066 flow-through shares units at a price of \$2.25 per share. The premium paid by investors was calculated as \$0.35 per share. Accordingly, \$457,000 was recorded as flow-through premium liability. In addition, the Company issued 980,000 super flow-through shares at a price of \$2.40 per share. The premium paid by investors was calculated as \$0.50 per share. Accordingly, \$490,000 was recorded as flow-through premium liability, bringing the total aggregate flow-through premium liability recorded on December 13, 2019 to \$947,000.

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.

18. 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.

Bonterra Resources Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

18. ASSET RETIREMENT OBLIGATIONS (Continued)

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 December 31,	2021	2020
Balance, beginning of year	\$ 5,844,000	\$ 5,704,000
Accretion expense	143,000	140,000
Balance, end of year	\$ 5,987,000	\$ 5,844,000

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 (2020 - \$11,222,000), which has been inflated using inflation rates of 2% (2020 - 2%). The total provision is calculated using discount rates of 2.45% (2020 - 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 Bachelor Mill Complex.

c) Distribution of asset retirement obligations

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

As at December 31,	2021	2020
Barry site	\$ 520,000	\$ 508,000
Bachelor mill complex	5,467,000	5,336,000
	\$ 5,987,000	\$ 5,844,000

19. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares without par value.

b) Issued and outstanding

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.

Bonterra Resources Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

19. SHARE CAPITAL (Continued)

b) Issued and outstanding (Continued)

During the year ended December 31, 2020

On December 9, 2020 and December 15, 2020, the Company closed tranches of a completed non-brokered private placement for gross proceeds of \$15,000,000 through the issuance of 13,043,478 common shares (December 9 – 10,669,891 and December 15 – 2,373,587) of the Company at a price of \$1.15 per common share. The underwriters received a cash fee of \$317,250. Other share issue costs of \$160,716 were incurred.

On March 19, 2020, the Company issued 15,000 common shares valued at \$11,400 for exploration and evaluation expenditures (note 12(a)).

c) Warrants

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

For the Year Ended December 31,	2021		2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	5,589,835	\$ 3.10	5,719,835	\$ 3.15
Expired	(5,589,835)	\$ 3.10	(130,000)	\$5.20
Outstanding, end of year	-	\$ -	5,589,835	\$3.10

d) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a twelve-month period with no more than 25% of the options vesting in any three-month period. As at December 31, 2021, the Company had 2,870,700 (2020 - 4,709,089) options remaining available for issuance under the plan.

The following is a summary of option transactions under the Company's stock option plan for the years ended December 31, 2021 and 2020:

For the Year Ended December 31,	2021		2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	4,346,111	\$ 1.72	3,075,549	\$ 2.29
Transactions during the year:				
Granted	5,060,000	1.23	3,335,000	1.54
Expired	(1,151,111)	1.96	(2,064,438)	2.27
Outstanding, end of year	8,255,000	\$ 1.39	4,346,111	\$ 1.72
Exercisable, end of year	5,755,000	\$ 1.44	4,328,611	\$ 1.72

Bonterra Resources Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

19. SHARE CAPITAL (Continued)

d) Stock options (Continued)

The following table provides additional information about outstanding stock options at December 31, 2021:

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	4,645,000	1.22	4.59	2,145,000	1.16
1.54 – 2.00	3,610,000	1.60	3.31	3,610,000	1.60
1.16 – 2.00	8,255,000	1.39	4.03	5,755,000	1.44

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.

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 Year Ended December 31,	2021	2020
Expected life (years)	4.98	4.97
Risk-free interest rate	1.19%	0.38%
Expected annualized volatility	59%	68%
Dividend yield	N/A	N/A
Stock price at grant date	\$1.22	\$1.52
Exercise price	\$1.23	\$1.54
Weighted average grant date fair value	\$0.61	\$0.84

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.

20. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Year ended December 31,	2021	2020
Interest received	\$ 78,307	\$ 132,129
Interest paid	\$ (26,089)	\$ (172,795)

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

Non-cash changes				
	December 31, 2019	Cash Flows	Loan additions	December 31, 2020
Long-term debt	\$ 1,218,763	\$ (529,056)	\$ 30,960	\$ 720,658

Bonterra Resources Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

21. SEGMENTED DISCLOSURE

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

For the years ended December 31, 2021 and 2020, the Company's two operating segment were mining site care and maintenance and mineral exploration. All other costs are considered corporate administration costs.

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

Year ended December 31, 2020	Mining Site	Exploration	Corporate	Total
Mill care and maintenance	\$ 962,515	\$ -	\$ -	\$ 962,515
Exploration and evaluation	-	18,815,196	-	18,815,196
Recovery of flow-through premium liability	-	(4,454,000)	-	(4,454,000)
Administration	-	-	5,358,961	5,358,961
Net loss	\$ 962,515	\$ 14,361,196	\$ 5,358,961	\$ 20,682,672

22. INCOME TAXES

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

Year ended December 31,	2021	2020
Loss before income taxes	\$ (31,920,324)	\$ (20,682,672)
Statutory income tax rate	26.50%	26.50%
Income tax benefit computed at statutory tax rate	(8,459,000)	(5,481,000)
Items not deductible (taxable) for income tax purposes	(1,096,000)	(481,000)
Renunciation of eligible expenditures	2,681,000	4,674,000
Share issue costs and other	42,000	361,000
Change in unrecognized benefit of deferred income tax assets	6,832,000	927,000
Deferred income tax expense	\$ -	\$ -

The significant components of the Company's deferred income tax assets and deferred income tax liabilities at December 31, 2021 and 2020 are presented below:

As at December 31,	2021	2020
Non-capital losses carried forward	\$ 39,055,000	\$ 36,068,000
Net capital losses carried forward	425,000	428,000
Canadian development expense carried forward	22,684,000	18,441,000
Share issue costs and other	2,833,000	3,195,000
Property, plant and equipment	1,869,000	1,408,000
	66,866,000	59,540,000
Unrecognized deferred income tax assets	(66,866,000)	(59,540,000)
Net deferred income tax assets	\$ -	\$ -

As at December 31, 2021, the Company has capital losses of \$3,227,000 (2020 - \$3,227,000) available for carry-forward to reduce future years' capital gains.

Bonterra Resources Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

22. INCOME TAXES (Continued)

As at December 31, 2021, the Company has federal non-capital losses of \$144,685,000 (2020 - \$134,242,000) and Quebec non-capital losses of \$150,893,000 (2020 - \$138,541,000) available for carry-forward to reduce future years' income for income tax purposes. These losses expire as follows:

	Federal	Quebec
2028	\$ 1,187,000	\$ 1,187,000
2029	6,834,000	11,807,000
2030	10,717,000	10,896,000
2031	8,822,000	9,454,000
2032	6,604,000	5,988,000
2033	1,370,000	1,365,000
2034	2,213,000	2,199,000
2035	3,836,000	3,819,000
2036	6,272,000	5,830,000
2037	47,379,000	49,080,000
2038	7,716,000	7,677,000
2039	21,407,000	19,847,000
2040	9,864,000	11,283,000
2041	10,464,000	10,461,000
	\$ 144,685,000	\$ 150,893,000

23. COMMITMENTS AND CONTINGENT LIABILITIES

- a) The Company had entered into agreements with officers and consultants that include termination and change of control clauses. In the case of termination and change of control, the officers and consultants are entitled to certain amounts payable. As at December 31, 2021, the Company had four (2020 – two) of these types of agreements with officers of the Company that totaled annual base fees of \$955,000 and US\$120,000 (2020 – \$505,000). In the case of termination, the officers are entitled to an amount equal to \$955,000 and US\$120,000 (2020 – \$505,000) and in the case of a change of control of the Company, the officers under certain circumstances are entitled to an amount equal to \$1,670,000 and US\$120,000 (2020 – \$505,000). During the year ended December 31, 2020, the Company terminated two of these types of agreements that called for a payment in the amount of \$565,000 in the case of termination and \$890,000 in the case of a change of control of the Company, for cash payments of \$445,000. Subsequent to December 31, 2021, the Company terminated one of these agreements with an officer of the Company that called for a payment in the amount of \$265,000 in the case of termination and \$530,000 in the case of a change of control of the Company, for a cash payment of \$265,000.
- b) On September 9, 2013, the Ministry of Energy and Natural Resources of Quebec approved the update of the restoration plan of the Bachelor mine. The financial guarantee covering the restoration costs amount to \$4,000,104 which has been covered by insurance bonds as at December 31, 2021 (note 10).

24. SUBSEQUENT EVENTS

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 (FT) at a price of \$2.06 per FT 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.

Subsequent to December 31, 2021, the Company granted 1,300,000 stock options to various officers and directors of the Company at an exercise price of \$1.32. These stock options have a 5 year life and vested immediately. In addition, 150,000 stock options were exercised with at an exercise price of \$1.16 for cash proceeds of \$174,000. Lastly, 170,000 options expired unexercised with a weighted average exercise price of \$1.42.