
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 333-150028

BUNKER HILL MINING CORP.

(Exact Name of Registrant as Specified in its Charter)

NEVADA

(State of other jurisdiction
of incorporation or organization)

32-0196442

(I.R.S. Employer
Identification No.)

**82 Richmond Street East
Toronto, Ontario, Canada**

(Address of Principal Executive Offices)

M5C 1P1

(Zip Code)

(416) 477-7771

(Registrant's Telephone Number, including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: **None**

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act") during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No
to this Form 10-Q.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging Growth Company

Indicate by check mark whether the Registrant is a shell company, as defined in Rule 12b-2 of the Exchange Act. Yes No

Number of shares of Common Stock outstanding as of November 13, 2023: 322,619,482

TABLE OF CONTENTS

| | |
|---|----|
| <u>PART I – FINANCIAL INFORMATION</u> | 3 |
| <u>Item 1. Financial Statements</u> | 3 |
| <u>Item 2. Management’s Discussion and Analysis of Financial Condition or Plan of Operation</u> | 26 |
| <u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u> | 30 |
| <u>Item 4. Controls and Procedures</u> | 30 |
| <u>PART II – OTHER INFORMATION</u> | 31 |
| <u>Item 1. Legal Proceedings</u> | 31 |
| <u>Item 1A. Risk Factors</u> | 32 |
| <u>Item 2. Unregistered Sales of Equity Securities and Use Of Proceeds</u> | 32 |
| <u>Item 3. Defaults upon Senior Securities</u> | 32 |
| <u>Item 4. Mine Safety Disclosure</u> | 32 |
| <u>Item 5. Other Information</u> | 33 |
| <u>Item 6. Exhibits</u> | 33 |

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited condensed interim consolidated financial statements of Bunker Hill Mining Corp., (“Bunker Hill”, the “Company”, or the “Registrant”) a Nevada corporation, included herein were prepared, without audit, pursuant to rules and regulations of the Securities and Exchange Commission. Because certain information and notes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S.”) were condensed or omitted pursuant to such rules and regulations, these financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Form 10-K for the year ended December 31, 2022.

Bunker Hill Mining Corp.
Unaudited Condensed Interim Consolidated Balance Sheets
(Expressed in United States Dollars)

| | September 30, 2023 | December 31, 2022 |
|---|-------------------------------|------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 28,360,495 | \$ 708,105 |
| Restricted cash | 6,476,000 | 6,476,000 |
| Accounts receivable and prepaid expenses (note 3) | 685,318 | 556,947 |
| Total current assets | 35,521,813 | 7,741,052 |
| Non-current assets | | |
| Spare parts inventory | 341,004 | 341,004 |
| Equipment (note 4) | 664,188 | 551,204 |
| Right-of-use asset (note 4) | 143,549 | - |
| Long term deposit | 249,265 | 269,015 |
| Bunker Hill Mine and mining interests (note 5) | 14,693,810 | 15,896,645 |
| Process plant (note 4) | 13,550,493 | 8,130,972 |
| Total assets | \$ 65,164,122 | \$ 32,929,892 |
| EQUITY AND LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 1,842,719 | \$ 4,523,502 |
| Accrued liabilities | 862,010 | 1,500,164 |
| Current portion of lease liability | 23,500 | - |
| Derivative warrant liability (note 8) | - | 903,697 |
| Deferred share units liability (note 10) | 719,097 | 573,742 |
| Interest payable (note 7) | 579,558 | 1,154,477 |
| Promissory notes payable (note 7) | 1,095,253 | 1,500,000 |
| Total current liabilities | 5,122,137 | 10,155,582 |
| Non-current liabilities | | |
| Bridge loan (note 7) | - | 4,684,446 |
| Series 1 convertible debenture (note 7) | 5,190,551 | 5,537,360 |
| Series 2 convertible debenture (note 7) | 12,746,242 | 14,063,525 |
| Stream obligation (note 7) | 46,665,044 | - |
| Royalty convertible debenture (note 7) | - | 10,285,777 |
| Environmental protection agency cost recovery liability, net of discount (note 6) | 9,132,953 | 7,941,466 |

| | | |
|--|----------------------|----------------------|
| Deferred tax liability (note 12) | 2,842,067 | - |
| Derivative warrant liabilities (note 8) | 4,657,031 | 6,438,679 |
| Total liabilities | <u>86,356,025</u> | <u>59,106,835</u> |
| Shareholders' Deficiency | | |
| Preferred shares, \$0.000001 par value, 10,000,000 preferred shares authorized; Nil preferred shares issued and outstanding (note 8) | - | - |
| Common shares, \$0.000001 par value, 1,500,000,000 common shares authorized; 317,444,482 and 229,501,661 common shares issued and outstanding, respectively (note 8) | 316 | 228 |
| Additional paid-in-capital (note 8) | 57,262,905 | 45,161,513 |
| Accumulated other comprehensive income | 756,210 | 253,875 |
| Accumulated deficit | (79,211,334) | (71,592,559) |
| Total shareholders' deficiency | <u>(21,191,903)</u> | <u>(26,176,943)</u> |
| Total shareholders' deficiency and liabilities | <u>\$ 65,164,122</u> | <u>\$ 32,929,892</u> |

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

Bunker Hill Mining Corp.**Unaudited Condensed Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
(Expressed in United States Dollars)**

| | Three Months Ended September 30, | | Nine Months Ended September 30 | |
|---|---|---------------------|---|----------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Operating expenses | | | | |
| Operation and administration | \$ 1,530,884 | \$ 150,910 | \$ 4,414,781 | \$ 587,514 |
| Mine preparation | - | 2,533,101 | - | 6,861,403 |
| Legal and accounting | 443,635 | 210,960 | 1,367,322 | 975,014 |
| Consulting and wages | 797,203 | 929,977 | 2,512,080 | 4,867,553 |
| Loss from operations | (2,771,722) | (3,824,948) | (8,294,183) | (13,291,484) |
| Other income or gain (expense or loss) | | | | |
| Interest income | 476,397 | - | 707,530 | - |
| Change in derivative liabilities (note 8) | 8,531,630 | 7,315,161 | (488,357) | 18,538,380 |
| Gain on FV of debentures (note 7) | 2,450,968 | 1,301,069 | 2,256,437 | 3,041,056 |
| Gain on EPA settlement | - | - | - | 8,614,103 |
| Gain on debt settlement (note 5) | - | - | 7,117,420 | - |
| Gain on warrant settlement | - | - | 214,714 | - |
| Interest expense (note 6,7) | (2,293,643) | (1,026,233) | (5,006,692) | (2,143,840) |
| Debenture finance costs | - | (64,054) | - | (1,230,539) |
| Finance costs (note 7, 8) | 170,771 | - | (930,110) | (455,653) |
| Loss on debt modification (note 7) | - | - | (99,569) | - |
| Loss on debt settlement (note 7) | - | - | (491,643) | - |
| Other (loss) income | (919) | 1,811 | 23,520 | 26,002 |
| (Loss) on foreign exchange | (18,622) | (12,453) | (22,101) | (233,777) |
| (Loss) income for the period pre tax | \$ 6,544,860 | \$ 3,690,353 | \$ (5,013,034) | \$ 12,864,248 |
| Deferred tax recovery (expense) (note 12) | 903,000 | - | (2,605,741) | - |
| Net (loss) income for the period | \$ 7,447,860 | \$ 3,690,353 | \$ (7,618,775) | \$ 12,864,248 |
| Other comprehensive income, net of tax: | | | | |
| Gain on change in FV on own credit risk | 68,738 | 625,050 | 502,335 | 996,636 |
| Other comprehensive income | 68,738 | 625,050 | 502,335 | 996,636 |
| Comprehensive (loss) income | \$ 7,516,598 | \$ 4,315,403 | \$ (7,116,440) | \$ 13,860,884 |
| Dilutive effect of derivative warrant liabilities | \$ - | \$ - | \$ - | \$ - |
| Diluted net (loss) income and comprehensive (loss) income for the period | \$ 7,516,598 | \$ 4,315,403 | \$ (7,116,440) | \$ 13,860,884 |
| Net income (loss) per common share – basic | \$ 0.02 | \$ 0.02 | \$ (0.03) | \$ 0.07 |
| Net income (loss) per common share – fully diluted | \$ 0.01 | \$ 0.01 | \$ (0.03) | \$ 0.05 |
| Weighted average common shares – basic | 303,974,814 | 219,466,235 | 266,313,125 | 198,364,188 |
| Weighted average common shares – fully diluted | 415,044,889 | 318,204,510 | 266,313,125 | 250,681,393 |

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

Bunker Hill Mining Corp.
Unaudited Condensed Interim Consolidated Statements of Cash Flows
(Expressed in United States Dollars)

| | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|
| Operating activities | | |
| Net (loss) income for the period | \$ (7,618,775) | \$ 12,864,248 |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock-based compensation | 1,131,965 | (300,475) |
| Depreciation expense | 126,425 | 172,259 |
| Change in fair value of warrant liability | 488,357 | (18,538,380) |
| Deferred tax expense | 2,605,741 | - |
| Gain on warrant settlement | (214,714) | - |
| Units issued for services | 111,971 | 1,060,858 |
| Interest expense on lease liability | 5,384 | 1,834 |
| Interest expense | - | 2,143,840 |
| Financing costs | - | 264,435 |
| Foreign exchange loss (gain) | - | 233,059 |
| Foreign exchange loss (gain) on re-translation of lease | - | 718 |
| Loss on debt modification | 99,569 | - |
| Loss on debt settlement | 491,643 | - |
| Loss (gain) on fair value of debentures | (2,256,437) | (3,041,056) |
| Accretion of non-current liabilities | 2,597,487 | 631,701 |
| Gain on debt settlement | (7,117,420) | - |
| Gain on EPA debt settlement | - | (8,614,103) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable and prepaid expenses | (113,184) | (1,145,727) |
| Accounts payable | (1,393,749) | 947,699 |
| Accrued liabilities | (101,498) | 526,322 |
| Accrued EPA/IDEQ water treatment | - | (903,565) |
| Prepaid finance costs | - | 393,640 |
| Deposit on plant demobilization | - | (1,000,000) |
| EPA cost recovery payable | - | (2,000,000) |
| Interest payable - EPA | - | (113,579) |
| Interest payable | 1,593,181 | (639,402) |
| Net cash used in operating activities | (9,564,054) | (17,055,674) |
| Investing activities | | |
| Additions to Bunker Hill Mine and mining interests | (1,094,037) | (5,880,471) |
| Land purchase | - | (202,000) |
| Process plant | (5,818,688) | (2,815,398) |
| Purchase of equipment | (219,751) | (316,600) |
| Purchase of spare parts inventory | - | (341,004) |
| Net cash used in investing activities | (7,132,476) | (9,555,473) |
| Financing activities | | |
| Proceeds from stream obligation | 46,000,000 | - |
| Transaction costs stream obligation | (740,956) | - |
| Proceeds from convertible debentures | - | 29,000,000 |
| Proceeds from issuance of shares, net of issue costs | - | 7,769,745 |
| Proceeds from issuance of special warrants | 3,661,822 | - |
| Proceeds from warrants exercise | 837,459 | - |

| | | |
|--|----------------------|---------------------|
| Proceeds from promissory note | 390,000 | - |
| Repayment of bridge loan | (5,000,000) | - |
| Repayment of promissory notes | (654,315) | (1,000,000) |
| Lease payments | (145,090) | (64,828) |
| Net cash provided by financing activities | <u>44,348,920</u> | <u>35,704,917</u> |
| Net change in cash | 27,652,390 | 9,093,770 |
| Cash and restricted cash, beginning of period | 7,184,105 | 486,063 |
| Cash and restricted cash, end of period | <u>\$ 34,836,495</u> | <u>\$ 9,579,833</u> |

Supplemental disclosures

| | | |
|--------------------|------------|------|
| Cash interest paid | \$ 322,708 | \$ - |
|--------------------|------------|------|

Non-cash activities

| | | |
|--|---------------------|---------------------|
| Accounts payable, accrued liabilities, and promissory notes settled with special warrants issuance | <u>\$ 874,198</u> | <u>\$ 228,421</u> |
| Mill purchase for shares and warrants | <u>\$ -</u> | <u>\$ 3,243,296</u> |
| Units issued to settle DSU/RSU/Bonuses | <u>\$ -</u> | <u>\$ 872,399</u> |
| Interest payable settled with common shares | <u>\$ 2,039,282</u> | <u>\$ 643,906</u> |

Reconciliation from Cash Flow Statement to Balance Sheet:

| | | |
|--|----------------------|-------------------|
| Cash and restricted cash end of period | \$ 34,836,495 | \$ 9,579,833 |
| Less restricted cash | <u>6,476,000</u> | <u>9,476,000</u> |
| Cash end of period | <u>\$ 28,360,495</u> | <u>\$ 103,833</u> |

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

Bunker Hill Mining Corp.
Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in United States Dollars)

| | Common stock | | Additional paid-in- capital | Stock subscriptions payable | Accumulated other comprehensive income | Accumulated deficit | Total |
|--|--------------------|---------------|-----------------------------------|-----------------------------------|---|------------------------|-----------------------|
| | Shares | Amount | | | | | |
| Balance, December 31, 2022 | 229,501,661 | \$ 228 | \$45,161,513 | - | \$ 253,875 | \$ (71,592,559) | \$(26,176,943) |
| Stock-based compensation | - | - | 1,348,851 | - | - | - | 1,348,851 |
| Compensation options | - | - | 111,971 | - | - | - | 111,971 |
| Shares issued for RSUs vested | 5,767,218 | 6 | (6) | - | - | - | - |
| Shares issued for warrant exercise | 10,416,667 | 10 | 907,080 | - | - | - | 907,090 |
| Shares issued for interest payable | 20,125,209 | 20 | 2,308,171 | - | - | - | 2,308,191 |
| Special warrant shares issued for \$0.15 CAD | 51,633,727 | 52 | 7,425,325 | - | - | - | 7,425,377 |
| OCI | - | - | - | - | 502,335 | - | 502,335 |
| Net income (loss) for the period | - | - | - | - | - | (7,618,775) | (7,618,775) |
| Balance, September 30, 2023 | 317,444,482 | \$ 316 | \$57,262,905 | \$ - | \$ 756,210 | \$ (79,211,334) | \$(21,191,903) |
| Balance, December 31, 2021 | 164,435,829 | \$ 164 | \$38,248,618 | \$ - | \$ - | \$ (72,491,150) | \$(34,242,368) |
| Stock-based compensation | - | - | 188,477 | - | - | - | 188,477 |
| Compensation options | - | - | 264,435 | - | - | - | 264,435 |
| Shares issued for interest payable | 3,291,339 | 3 | 643,903 | - | - | - | 643,906 |
| Shares issued for RSUs vested | 966,750 | 2 | (2) | - | - | - | - |
| Non brokered shares issued for \$0.30 CAD | 1,471,664 | 1 | 352,854 | - | - | - | 352,855 |
| Stock subscription received for units | - | - | - | 1,775,790 | - | - | 1,775,790 |
| Special warrant shares issued for \$0.30 CAD | 37,849,325 | 38 | 9,083,719 | (1,775,790) | - | - | 7,307,967 |
| Contractor shares issued for \$0.30 CAD | 1,218,000 | 1 | 289,999 | - | - | - | 290,000 |
| Shares issued for Mill purchase | 10,416,667 | 10 | 1,970,254 | - | - | - | 1,970,264 |
| Issue costs | - | - | (900,531) | - | - | - | (900,531) |
| Warrant valuation | - | - | (6,246,848) | - | - | - | (6,246,848) |
| OCI | - | - | - | - | 996,636 | - | 996,636 |
| Net income (loss) for the period | - | - | - | - | - | 12,864,248 | 12,864,248 |
| Balance, September 30, 2022 | 219,649,574 | \$ 219 | \$43,894,878 | \$ - | \$ 996,636 | \$ (59,626,902) | \$(14,735,169) |

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

Bunker Hill Mining Corp.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended September 30, 2023
(Expressed in United States Dollars)

1. Nature and Continuance of Operations

Bunker Hill Mining Corp. (the “Company”) was incorporated under the laws of the state of Nevada, U.S.A. on February 20, 2007, under the name Lincoln Mining Corp. Pursuant to a Certificate of Amendment dated February 11, 2010, the Company changed its name to Liberty Silver Corp., and on September 29, 2017, the Company changed its name to Bunker Hill Mining Corp. The Company’s registered office is located at 1802 N. Carson Street, Suite 212, Carson City, Nevada 89701, and its head office is located at 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1. As of the date of this Form 10-Q, the Company had one subsidiary, Silver Valley Metals Corp. (formerly American Zinc Corp.), an Idaho corporation created to facilitate the work being conducted at the Bunker Hill Mine in Kellogg, Idaho.

The Company was incorporated for the purpose of engaging in mineral exploration, and exploitation activities. It continues to work at developing its project with a view towards putting it into production.

2. Significant Accounting Policies:

Basis of Presentation

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the United States Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, shareholders’ deficiency, or cash flows. It is management’s opinion, however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation. The unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K, which contains the annual audited consolidated financial statements and notes thereto, together with the Management’s Discussion and Analysis, for the year ended December 31, 2022. The interim results for the period ended September 30, 2023, are not necessarily indicative of the results for the full fiscal year. The unaudited condensed interim consolidated financial statements are presented in United States dollars, which is the Company’s functional currency.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes for items such as mineral reserves, useful lives and depreciation methods, potential impairment of long-lived assets, sale of mineral properties for the accounting of the conversion of the royalty convertible debenture (the “RCD”), deferred income taxes, settlement pricing of commodity sales, fair value of stock based compensation, accrued liabilities, estimation of asset retirement obligations and reclamation liabilities, convertible debentures, stream obligation, and warrants. Estimates are based on historical experience and various other assumptions that the Company believes to be reasonable. Actual results could differ from those estimates.

3. Accounts receivable and prepaid expenses

Accounts receivable and prepaid expenses consists of the following:

| | September 30, 2023 | December 31, 2022 |
|--|-------------------------------|------------------------------|
| Prepaid expenses and deposits | \$ 595,318 | \$ 386,218 |
| Environment protection agency overpayment (note 6) | 90,000 | 170,729 |
| Total | \$ 685,318 | \$ 556,947 |

4. Equipment, Right-of-Use asset, and Process Plant

Equipment consists of the following:

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------|-------------------------------|------------------------------|
| Equipment | \$ 1,140,324 | \$ 920,571 |
| | 1,140,324 | 920,571 |
| Less accumulated depreciation | (476,136) | (369,367) |
| Equipment, net | <u>\$ 664,188</u> | <u>\$ 551,204</u> |

The total depreciation expense relating to equipment during the three and nine months ended September 30, 2023, was \$30,344 and \$106,769, respectively. Compared to the three and nine months ended September 30, 2022, was \$42,814 and \$119,905, respectively.

Process Plant

On May 13, 2022, the Company completed the purchase of a package of equipment and parts inventory from Teck Resources Limited's ("Teck") Pend Oreille operation. The package comprises substantially all the mineral processing equipment including complete crushing, grinding and flotation circuits suitable for a planned ~1,500 ton-per-day operation at the Bunker Hill site, and total inventory of components and parts for the mill, assay lab, conveyer, field instruments, and electrical spares.

The purchase of the mill has been valued at:

- Cash consideration given, comprised of \$500,000 non-refundable deposit remitted on January 7, 2022 and \$231,000 sales tax remitted on May 13, 2022, a total of \$731,000 cash remitted.
- Value of common shares issued on May 13, 2022 at the market price of that day, a value of \$1,970,264.
- Fair value of the warrants issued together with the inputs, as determined by a binomial model, resulted in a fair value of \$1,273,032. See note 8.
- As a result, the total value of the mill at the time of purchase was determined to be \$3,974,296, including \$341,004 of spare parts inventory.

The process plant was purchased in an assembled state, and included major processing systems, significant components, and a large inventory of spare parts. The Company has disassembled and transported it to the Bunker Hill site, and will be reassembling it as an integral part of the Company's future operations. The Company determined that the transaction should be accounted for as an asset acquisition, with the process plant representing a single asset, with the exception of the inventory of spare parts, which has been separated out and appears on the balance sheets as a non-current asset in accordance with the purchase price allocation. As the plant is demobilized, transported and reassembled, installation and other costs associated with these activities will be captured and capitalized as components of the asset.

Process plant consists of the following:

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------------|-------------------------------|------------------------------|
| Plant purchase price less inventory | \$ 3,633,292 | \$ 3,633,292 |
| Ball mill purchase | 745,626 | - |
| Demobilization | 2,204,539 | 2,201,414 |
| Site preparation costs | 6,967,036 | 2,296,266 |
| Process Plant | <u>\$ 13,550,493</u> | <u>\$ 8,130,972</u> |

On June 30, 2023, the Company made the final payment of \$545,626 to D'Angelo International LLC to complete the purchase of a ball mill for a total \$745,626 (inclusive of two previously paid deposits of \$100,000 from the Company to D'Angelo International LLC). The ball mill is capable of delivering the 1,800 ton per day mine plan envisaged in the Company's Prefeasibility Study, and subject to future detailed engineering and mine planning, the mill could also potentially support a throughput increase.

Right-of-use asset consists of the following:

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|--|-------------------------------|------------------------------|
| Loader leases | 163,205 | - |
| Loader leases accumulated depreciation | (19,656) | - |
| Right-of-use asset, net | <u>\$ 143,549</u> | <u>\$ -</u> |

The total depreciation expense during the three and nine months ended September 30, 2023, was \$6,887 and \$19,656, respectively. Compared to the three and nine months ended September 30, 2022, was \$nil and \$52,353, (relating to an expired lease) respectively.

5. Bunker Hill Mine and Mining Interests

Bunker Hill Mine Purchase

The Company purchased the Bunker Hill Mine (the “Mine”) in January 2022, as described below.

Prior to purchasing the Mine, the Company had entered into a series of agreements with Placer Mining Corporation (“Placer Mining”), the prior owner, for the lease and option to purchase the Mine. The first of these agreements was announced on August 28, 2017, with subsequent amendments and/or extensions announced on November 1, 2019, July 7, 2020, and November 20, 2020.

Under the terms of the November 20, 2020, amended agreement (the “Amended Agreement”), a purchase price of \$7,700,000 was agreed, with \$5,700,000 payable in cash (with an aggregate of \$300,000 to be credited toward the purchase price of the Mine as having been previously paid by the Company) and \$2,000,000 in Common Shares of the Company. The Company agreed to make an advance payment of \$2,000,000, credited towards the purchase price of the Mine, which had the effect of decreasing the remaining amount payable to purchase the Mine to an aggregate of \$3,400,000 payable in cash and \$2,000,000 in Common Shares of the Company.

The Amended Agreement also required payments pursuant to an agreement with the Environmental Protection Agency (“EPA”) whereby for so long as the Company leases, owns and/or occupies the Mine, the Company would make payments to the EPA on behalf of Placer Mining in satisfaction of the EPA’s claim for historical water treatment cost recovery as per the Settlement Agreement reached with the EPA in 2018. Immediately prior to the purchase of the Mine, the Company’s liability to EPA in this regard totaled \$11,000,000.

The Company completed the purchase of the Mine on January 7, 2022. The terms of the purchase price were modified to \$5,400,000 in cash, from \$3,400,000 of cash and \$2,000,000 of Common Shares. Concurrent with the purchase of the Mine, the Company assumed incremental liabilities of \$8,000,000 to the EPA, consistent with the terms of the amended Settlement Agreement with the EPA that was executed in December 2021 (see “EPA Settlement Agreement” section below).

The \$5,400,000 contract cash paid at purchase was the \$7,700,000 less the \$2,000,000 deposit and \$300,000 credit given by the seller for prior years’ maintenance payments.

The purchase of the mine has been valued on January 7, 2022:

- Contract purchase price of \$7,700,000 less \$300,000 credit by seller for prior maintenance payments.
- Net present value of water treatment cost recovery liability assumed of \$6,402,425.
- Capitalized legal and closing costs of \$444,785.
- As a result, the total value of the mine at the time of purchase was determined to be \$14,247,210.

The Company completed the purchase of the Mine on January 7, 2022. The terms of the purchase price were modified to \$5,400,000 in cash, from \$3,400,000 of cash and \$2,000,000 of Common Shares. Concurrent with the purchase of the Mine, the Company assumed incremental liabilities of \$8,000,000 to the EPA, consistent with the terms of the amended Settlement Agreement with the EPA that was executed in December 2021 (see “EPA Settlement Agreement” section below).

Management has determined the purchase to be an acquisition of a single asset.

Capitalized Development

Commencing on October 1, 2022, the Company capitalizes mine development. Through September 30, 2023, a total of \$2,218,439 had been capitalized.

Sale of Mineral Properties

On June 23, 2023, as consideration for the extinguishment of the RCD, as described in note 7, the Company granted a royalty for 1.85% of life-of-mine gross revenue (the “Royalty”) from mining claims considered to be historically worked, contiguous to current accessible underground development, and covered by the Company’s 2021 ground geophysical survey. A 1.35% rate will apply to claims outside of these areas.

This transaction is treated as a sale of mineral interest to Sprott. The portion of the mineral interest sold was determined based on an analysis of discounted life-of-mine royalty payments relative to discounted future cash flows generated from the mine net of capital and operating costs, applied to the carrying value of the Bunker Hill Mine as of June 23, 2023 before consideration of the sale of mineral properties. This analysis utilized a discount rate of 13% and long-term metal prices of \$1.09/lb, \$0.98/lb and \$25.51/oz for zinc, lead and silver respectively, consistent with assumptions utilized in the valuation of the RCD at extinguishment. The Company has recognized a gain of \$6,980,932 in the unaudited condensed interim consolidated statements of (loss) income and comprehensive (loss) income.

The carrying cost of the Mine is comprised of the following:

| | September 30, 2023 | December 31, 2022 |
|-------------------------------------|-------------------------------|------------------------------|
| | <u> </u> | <u> </u> |
| Bunker Hill Mine purchase | \$ 14,247,210 | \$ 14,247,210 |
| Capitalized development | 2,218,440 | 1,447,435 |
| Sale of mineral properties (note 7) | <u>(1,973,840)</u> | <u>-</u> |
| Bunker Hill mine | <u>\$ 14,491,810</u> | <u>\$ 15,694,645</u> |

Land purchase and lease

On March 3, 2022, the Company purchased a 225-acre surface land parcel for \$202,000 which includes the surface rights to portions of 24 patented mining claims, for which the Company already owns the mineral rights.

During the nine months ended September 30, 2023, the Company entered into a lease agreement with C & E Tree Farm LLC for the lease of a land parcel overlaying a portion of the Company’s existing mineral claims package. The Company is committed to making monthly payments of \$10,000 through February 2026. The Company has the option to purchase the land parcel through March 1, 2026, for \$3,129,500 less 50% of the payments made through the date of purchase (note 11).

6. Environmental Protection Agency and Water Treatment Liabilities (“EPA”)

Effective December 19, 2021, the Company entered into an amended Settlement Agreement between the Company, Idaho Department of Environmental Quality, US Department of Justice, and the EPA (the “Amended Settlement”). Upon the effectivity of the Amended Settlement, the Company would become fully compliant with its payment obligations to these parties. The Amended Settlement modified the payment schedule and payment terms for recovery of the historical environmental costs. Pursuant to the terms of the Amended Settlement, upon purchase of the Bunker Hill Mine and the satisfaction of financial assurance commitments (as described below), the \$19,000,000 of cost recovery liabilities will be paid by the Company to the EPA on the following dates:

| Date | Amount | |
|--|---------------|---------------------------------|
| Within 30 days of Settlement Agreement | | |
| | \$ | 2,000,000 |
| November 1, 2024 | \$ | 3,000,000 |
| November 1, 2025 | \$ | 3,000,000 |
| November 1, 2026 | \$ | 3,000,000 |
| November 1, 2027 | \$ | 3,000,000 |
| November 1, 2028 | \$ | 3,000,000 |
| November 1, 2029 | \$ | 2,000,000 plus accrued interest |

In addition to the changes in payment terms and schedule, the Amended Settlement included a commitment by the Company to secure \$17,000,000 of financial assurance in the form of performance bonds or letters of credit deemed acceptable to the EPA within 180 days from the effective date of the Amended Settlement. Once in place, the financial assurance can be drawn on by the EPA in the event of non-performance by the Company of its payment obligations under the Amended Settlement (the “Financial Assurance”). The amount of the bonds will decrease over time as individual payments are made.

The Company completed the purchase of the Mine (see note 5) and made the initial \$2,000,000 cost recovery payment on January 7, 2022. Concurrent with the purchase of the Mine, the Company assumed the balance of the EPA liability totaling \$17,000,000, an increase of \$8,000,000 from \$9,000,000. This was capitalized as \$6,402,425 to the carrying value of the Bunker Hill Mine at time of purchase, comprised of \$3,000,000 of incremental current liabilities and \$5,000,000 of non-current liabilities (discounted to \$3,402,425). See note 5.

During the year ended 2022, the financial assurance was put into place, enabling the restructuring of the payment under the Amendment Settlement with the entire \$17,000,000 liability being recognized as long-term. As of September 30, 2023 (unchanged from December 31, 2022), the Company had two payment bonds of \$9,999,000 and \$5,000,000, and a \$2,001,000 letter of credit, in place to secure this liability. The collateral for the payment bonds is comprised of two letters of credit of \$4,475,000 in aggregate, as well as land pledged by third parties with whom the company has entered into a financing cooperation agreement that contemplates a monthly fee of \$20,000 (payable in cash or common shares of the Company, at the Company's election). The letters of credit of \$6,476,000 in aggregate are secured by cash deposits under an agreement with a commercial bank, which comprise the \$6,476,000 of restricted cash shown within current assets as of September 30, 2023.

The Company recorded accretion expense on the liability of \$420,518 and \$1,191,487 for the three and nine months ended September 30, 2023, respectively, bringing the net liability to \$9,132,953 (previously accrued interest of \$154,743) as of September 30, 2023.

Water Treatment Charges – Idaho Department of Environmental Quality

Separate to the cost recovery liability outlined above, the Company is responsible for the payment of ongoing water treatment charges. Water treatment charges incurred through December 31, 2021, were payable to the EPA, and charges thereafter are payable to the Idaho Department of Environmental Quality (“IDEQ”) following a handover of responsibilities for the Central Treatment Plant from the EPA to the IDEQ as of that date.

The Company currently makes monthly payments of \$100,000 to the IDEQ as instalments toward the cost of treating water at the Central Treatment Plant. Upon receipt of an invoice from the IDEQ for actual costs incurred, a reconciliation is performed relative to payments made, with an additional payment made or refund received as applicable. The Company accrues \$100,000 per month based on its estimate of the monthly cost of water treatment. As of September 30, 2023, a prepaid expense of \$90,000 (December 31, 2022: \$170,729) represents the difference between the estimated cost of water treatment and net payments made by the Company to the IDEQ to date. This balance has been recognized on the unaudited condensed interim balance sheets as accounts receivable and prepaid expenses.

7. Promissory Notes Payable and Convertible Debentures

Promissory Notes

On September 22, 2021, the Company issued a non-convertible promissory note of \$2,500,000 bearing interest of 15% per annum and payable at maturity. The Company purchased a land parcel for approximately \$202,000 on March 3, 2022, which may be used as security for the promissory note. The promissory note was originally scheduled to mature on March 15, 2022, however, was extended multiple times and is currently due on December 31, 2023. Principal payments of \$1,000,000 in aggregate were made in the year ended December 31, 2022. Principal payment of \$504,315 was made during the 9 months ended September 30, 2023. The Company incurred a one-time penalty of 10% of the outstanding principal on June 30, 2023, of \$99,569 which is included in loss on modification of debt in the unaudited condensed interim consolidated statements of income.

On February 21, 2023, the Company issued a non-convertible promissory note to a related party of \$120,000, and a separate non-convertible promissory note of \$120,000 to another party. Each promissory note bore fixed interest of \$18,000 per annum, payable at maturity, which was the earlier of one year or the receipt of an equity or debt financing. Both promissory notes, including interest, were settled on March 27, 2023 through participating in the March 2023 Offering (Note 8).

In June 2023, the Company issued a non-convertible promissory note in the amount of \$150,000. The promissory note bore fixed interest of \$15,000 per annum, payable at maturity, which was the earlier of one year or the receipt of an equity or debt financing. The promissory note, including interest, was settled in June 2023.

At September 30, 2023, the Company owes \$1,095,253 in promissory notes payable, which is included in current liabilities on the unaudited condensed interim consolidated balance sheets. Interest expense for the three and nine months ended September 30, 2023, was \$41,410 and \$151,821 respectively. Compared to the three and nine months ended September 30, 2022, was \$56,712 and \$224,589 respectively. At September 30, 2023 financing costs of \$44,560 (\$384,041 at December 31, 2022) is included in interest payable on the unaudited condensed interim balance sheet. The effective interest rate of the promissory note is 15%.

Project Finance Package with Sprott Private Resource Streaming & Royalty Corp. (“SRSR”)

On December 20, 2021, the Company executed a non-binding term sheet outlining a \$50,000,000 project finance package with SRSR.

The non-binding term sheet with SRSR outlined a \$50,000,000 project financing package that the Company expected to fulfill the majority of its funding requirements to restart the Mine. The term sheet consisted of an \$8,000,000 royalty convertible debenture (the “RCD”), a \$5,000,000 convertible debenture (the “CD1”), and a multi-metals Stream of up to \$37,000,000. The CD1 was subsequently increased to \$6,000,000, increasing the project financing package to \$51,000,000.

On June 17, 2022, the Company consummated a new \$15,000,000 convertible debenture (the “CD2”). As a result, total potential funding from SRSR was further increased to \$66,000,000 including the RCD, CD1, CD2 and the Stream (together, the “Project Financing Package”).

On June 23, 2023, the Company closed the upsized and improved \$67,000,000 project finance package with SRSR, consisting of a \$46,000,000 stream and a \$21,000,000 new debt facility. The newly proposed \$46,000,000 stream (the “Stream”) was envisaged to have the same economic terms as the previously proposed \$37,000,000 stream, with a \$9,000,000 increase in gross proceeds received by the Company, resulting in a lower cost of capital for the Company. The Company also announced a new \$21,000,000 new debt facility (the “Debt Facility”), available for draw at the Company’s election for two years. As a result, total funding commitments from SRSR was envisaged to increase to \$96,000,000 including the RCD, CD1, CD2, Stream and debt facility (together, the “Project Financing Package”). The Bridge Loan, as previously envisaged, was to be repaid from the proceeds of the Stream. The parties also agreed to extend the maturities of the CD1 and CD2 to March 31, 2026, when the full \$6 million and \$15 million, respectively, will become due.

The Company incurred \$254,220 of financing costs on the unaudited condensed interim consolidated statements of (loss) income and comprehensive (loss) income relating to the modification of CD1, CD2, the extinguishment of RCD and the closing of the \$21,000,000 debt facility.

\$8,000,000 Royalty Convertible Debenture

The Company closed the \$8,000,000 RCD on January 7, 2022. The RCD bears interest at an annual rate of 9.0%, payable in cash or Common Shares at the Company’s option, until such time that SRSR elects to convert a royalty, with such conversion option expiring at the earlier of advancement of the Stream or July 7, 2023 (subsequently amended as described below). In the event of conversion, the RCD will cease to exist and the Company will grant a royalty for 1.85% of life-of-mine gross revenue from mining claims considered to be historically worked, contiguous to current accessible underground development, and covered by the Company’s 2021 ground geophysical survey (the “SRSR Royalty”). A 1.35% rate will apply to claims outside of these areas. The RCD was initially secured by a share pledge of the Company’s operating subsidiary, Silver Valley, until a full security package was put in place concurrent with the consummation of the CD1. In the event of non-conversion, the principal of the RCD will be repayable in cash.

Concurrent with the funding of the CD2 in June 2022, the Company and SRSR agreed to a number of amendments to the terms of the RCD, including an amendment of the maturity date from July 7, 2023 to March 31, 2025. The parties also agreed to enter into a Royalty Put Option such that in the event the RCD is converted into a royalty as described above, the holder of the royalty will be entitled to resell the royalty to the Company for \$8,000,000 upon default under the CD1 or CD2 until such time that the CD1 and CD2 are paid in full. The Company determined that the amendments in the terms of the RCD should not be treated as an extinguishment of the RCD, and have therefore been accounted for as a modification.

On June 23, 2023, the funding date of the Stream, the RCD was repaid by the Company granting a royalty for 1.85% of life-of-mine gross revenue (the “Royalty”) from mining claims historically worked as described above. A 1.35% rate will apply to claims outside of these areas. The Company recorded a gain on sale of mineral properties of \$6,980,932 in the unaudited condensed interim consolidated statements of income (loss). Additionally, on settlement of the RCD, \$347,499 of previously deferred to other comprehensive (loss) income was recognized in the net income (loss on FV of convertible debentures) on the unaudited condensed interim consolidated statement of income (loss). The Royalty Put Option permits SRSR Streaming to resell the royalty to the Company for \$8 million upon default under the Series 1 Convertible Debentures or Series 2 Convertible Debentures until such time that they are repaid in full. The Company has accounted for the Royalty as a sale of mineral properties (refer to Note 5 for further detail).

\$6,000,000 Convertible Debenture (CD1)

The Company closed the \$6,000,000 CD1 on January 28, 2022, which was increased from the previously announced \$5,000,000. The CD1 bears interest at an annual rate of 7.5%, payable in cash or shares at the Company’s option, and initially had a maturity date of the earlier of July 7, 2023 (subsequently amended, as described below) or the closing of the \$37,000,000 stream that was announced on December 20, 2021. The CD1 is secured by a pledge of the Company’s properties and assets, and is convertible into Common Shares at a price of C\$0.30 per Common Share at SRSR’s election at any time through the maturity date. The Company may elect to repay the CD1 early; if SRSR elects not to exercise its conversion option at such time, a minimum of 12 months of interest would apply.

Concurrent with the funding of the CD2 in June 2022, the Company and SRSR agreed to a number of amendments to the terms of the CD1, including that the maturity date would be amended from July 7, 2023 to March 31, 2025, and that the CD1 would remain outstanding until the new maturity date regardless of whether the stream is advanced, unless the Company elects to exercise its option of early repayment or SRSR elects to exercise its share conversion option. The Company determined that the amendments in the terms of the CD1 should not be treated as an extinguishment of the CD1, and have therefore been accounted for as a modification.

Concurrent with the funding of the Stream in June 2023, the Company and SRSR agreed to amend the maturity date of CD1 from March 31, 2025, to March 31, 2026, and that CD1 would remain outstanding until the new maturity date unless the company elects to exercise its option of early repayment. The Company determined that the amendments to the terms of the CD1 should not be treated as an extinguishment of the CD1 and have therefore been accounted for as a modification.

\$15,000,000 Series 2 Convertible Debenture (CD2)

The Company closed the \$15,000,000 CD2 on June 17, 2022. The CD2 bears interest at an annual rate of 10.5%, payable in cash or shares at the Company’s option, and matured on March 31, 2025. The CD2 is secured by a pledge of the Company’s properties and assets, and is convertible into Common Shares at a price of C\$0.29 per Common Share at SRSR’s election at any time through the maturity date. The repayment terms include 3 quarterly payments of \$2,000,000 each beginning June 30, 2024, and \$9,000,000 on the maturity date.

Concurrent with the funding of the Stream in June 2023, the Company and SRSR agreed to amend the maturity date of the CD2 from 3 quarterly payments of \$2,000,000 each beginning June 30, 2024, and \$9,000,000 on March 31, 2025, to payment in full on March 31, 2026, and that the CD2 would remain outstanding until the new maturity date unless the company elects to exercise its option of early repayment or SRSR elects to exercise its share conversion option. The Company determined that the amendments to the terms of the CD2 should not be treated as an extinguishment of the CD2 and have therefore been accounted for as a modification.

The Company determined that in accordance with ASC 815 derivatives and hedging, each debenture will be valued and carried as a single instrument, with the periodic changes to fair value accounted through earnings, profit and loss.

Consistent with the approach above, the following table summarizes the key valuation inputs as at applicable valuation dates:

| Reference (2)(4) (5) | Valuation date | Maturity date | Contractual Interest rate | Stock price (US\$) | Expected equity volatility | Credit spread | Risk-free rate | Risk-adjusted rate |
|----------------------|----------------|---------------|---------------------------|--------------------|----------------------------|---------------|----------------|--------------------|
| CD1 note(3) | 12-31-22 | 03-31-25 | 7.50% | 0.125 | 120% | 7.08% | 4.32% | 17.85% |
| RCD note | 12-31-22 | 03-31-25 | 9.00% | 0.125 | 120% | 7.08% | 4.32% | 17.85% |
| CD2 note(3) | 12-31-22 | 03-31-25 | 10.50% | 0.125 | 120% | 7.08% | 4.32% | 19.76% |
| CD1 note(3) | 03-31-23 | 03-31-25 | 7.50% | 0.082 | 115% | 11.22% | 4.06% | 21.33% |
| RCD note(5) | 03-31-23 | 03-31-25 | 9.00% | 0.082 | 115% | 11.22% | 4.06% | 21.33% |
| CD2 note(3) | 03-31-23 | 03-31-25 | 10.50% | 0.082 | 115% | 11.22% | 4.06% | 23.20% |
| RCD note | 06-23-23 | 03-31-25 | 9.00% | 0.169 | 120% | 8.28% | 4.83% | 19.37% |
| CD1 note(3) | 06-30-23 | 03-31-26 | 7.50% | 0.186 | 120% | 7.93% | 4.58% | 18.83% |
| CD2 note(3) | 06-30-23 | 03-31-26 | 10.50% | 0.186 | 120% | 7.93% | 4.58% | 20.73% |
| CD1 note(3) | 09-30-23 | 03-31-26 | 7.50% | 0.104 | 115% | 8.65% | 4.91% | 19.78% |
| CD2 note(3) | 09-30-23 | 03-31-26 | 10.50% | 0.104 | 115% | 8.65% | 4.91% | 21.67% |

- (1) The CD1 carried a Discount for Lack of Marketability (“DLOM”) of 5.0% as of the issuance date and as of September 30, 2023. The CD2 carried a DLOM of 10.0% as of the issuance date and September 30, 2023
- (2) CD1 and RCD carry an instrument-specific spread of 7.23%, CD2 carries an instrument-specific spread of 9.32%
- (3) The conversion price of the CD1 is \$0.219 and CD2 is \$0.226 as of September 30, 2023, and \$0.219 and CD2 is \$0.212 as of December 31, 2022
- (4) A project risk rate of 13.0% was used for all scenarios of the RCD fair value computations
- (5) The valuation of the RCD is driven by the aggregation of (i) the present value of future potential cash flow to the royalty holder, in the event that the RCD is converted to a royalty, utilizing an estimate of future metal sales and Monte Carlo simulations of future metal prices, and (ii) the computation of the present value assuming no conversion to the 1.85% gross revenue royalty. The valuation of (i) is compared to the valuation of (ii) for each simulation, with the higher value used in the aggregation to arrive at the fair value of the RCD. This results in an implied probability of the RCD being converted to the royalty, in the event that the Stream is advanced. Based on this methodology, as of June 30, 2023 (pre-modification), the implied probability of the RCD being converted to a 1.85% royalty, in the event that the Stream is advanced, was 77%. Credit spread, Risk-free rate, and Risk-adjusted rate shown for the RCD are applicable to the scenario where the Stream is not advanced. There are immaterial differences in these inputs for the scenario where the Stream is advanced.

The resulting fair values of the CD1, RCD, and CD2 at September 30, 2023, and as of December 31, 2022, were as follows:

| Instrument Description | September 30, 2023 | December 31, 2022 |
|------------------------|--------------------|-------------------|
| CD1 | \$ 5,190,551 | \$ 5,537,360 |
| RCD | - | 10,285,777 |
| CD2 | 12,746,242 | 14,063,525 |
| Total | \$ 17,936,793 | \$ 29,886,662 |

The total gain on fair value of debentures recognized during the three and nine months ended September 30, 2023 was \$2,450,968 and \$2,256,437, respectively, and \$1,301,069 and \$3,041,056 for the three and nine months ended September 30, 2022, respectively. The portion of changes in fair value attributable to changes in the Company's credit risk is accounted for within other comprehensive (loss) income during the three and nine months ended September 30, 2023 was \$68,738 and \$502,335, respectively. Compared to the three and nine months ended September 30, 2022 was \$625,050 and \$996,636, respectively. Interest expense for the three and nine months ended September 30, 2023 was \$510,411 and \$1,857,822, respectively. Compared to the three and nine months ended September 30, 2022 was \$691,111 and \$1,279,849, respectively. At September 30, 2023 interest of \$510,411 (\$691,890 at December 31, 2022) is included in interest payable on the consolidated balance sheets. For the three and nine months ended September 30, 2023 the Company recognized \$nil and \$268,889, respectively, loss on debt settlement in the unaudited condensed interim consolidated statements of (loss) income and comprehensive (loss) income as a result of settling interest by issuance of shares (0 and 20,125,209 shares for the three and nine months ending September 30, 2023 respectively). Compared to the three and nine months ended September 30, 2022 was \$nil and \$nil, respectively.

The Company performs quarterly testing of the covenants in the CD1 and CD2 and was in compliance with all such covenants as of September 30, 2023.

\$5,000,000 Bridge Loan

On December 6, 2022, the Company closed a \$5,000,000 loan facility with Sprott (the "Bridge Loan"). The Bridge Loan is secured by the same security package in place for the RCD, CD1, and CD2. The Bridge Loan bears interest at 10.5% per annum and matures at the earlier of (i) the advance of the Stream, or (ii) June 30, 2024. In addition, the minimum quantity of metal delivered under the Stream, if advanced, would increase by 5% relative to amounts previously announced.

On June 23, 2023 the Company repaid the outstanding principal and interest on the Bridge Loan recognizing a loss on extinguishment of debt of \$222,754 in the unaudited condensed interim consolidated statements of (loss) income. At September 30, 2023 interest of \$nil (\$53,985 at December 31, 2022) is included in interest payable on the unaudited condensed interim balance sheets. Interest expense for three and nine months ended September 30, 2023, was \$168,166 and \$346,550 respectively. Compared to the three and nine months ended September 30, 2022, was \$nil and \$nil respectively.

\$46,000,000 Stream

On June 23, 2023, all conditions were met for the closing of the Stream, and \$46,000,000 was advanced to the Company. The Stream applies to 10% of all payable metals sold until a minimum quantity of metal is delivered consisting of, individually, 63.5 million pounds of zinc, 40.4 million pounds of lead, and 1.2 million ounces of silver (subsequently amended, as described below). Thereafter, the Stream would apply to 2% of payable metals sold. The delivery price of streamed metals will be 20% of the applicable spot price. The Company may buy back 50% of the Stream Amount at a 1.40x multiple of the Stream Amount between the second and third anniversary of the date of funding, and at a 1.65x multiple of the Stream Amount between the third and fourth anniversary of the date of funding. The Company incurred \$824,156 of transactions costs directly related to the Stream which were capitalized against the initial recognition of the Stream of \$45,175,844 on the unaudited condensed interim consolidated balance sheets.

The Company determined that in accordance with ASC 815 derivatives and hedging, the Stream does not meet the criteria for treatment as a derivative instrument as the quantities of metal to be sold thereunder are not subject to a minimum quantity, and therefore a notional amount is not determinable. The Company has therefore determined that in accordance with ASC 470, the stream obligation should be treated as a liability based on the indexed debt rules thereunder. The initial recognition has been made at fair value based on cash received, net of transaction costs, and the discount rate calibrated so that the future cash flows associated with the Stream, using forward commodity prices, equal the cash received. The measurement of the stream obligation is accounted for at amortized cost with accretion at the discount rate. Subsequent changes to the expected cash flows associated with the Stream will result in the adjustment of the carrying value of the stream obligation using the same discount rate, with changes to the carrying value recognized in the unaudited condensed interim consolidated statements of income.

The Company determined the effective interest rate of the Stream obligation to be 11.4% and recorded accretion expense on the liability of \$1,321,000 and \$1,406,000 respectively for the three and nine months ended September 30, 2023 (\$nil for the three and nine months 2022), bringing the liability to \$46,665,044 as of September 30, 2023.

\$21,000,000 Debt Facility

On June 23, 2023 the Company closed a \$21,000,000 debt facility with SRSR which is available for draw at the Company's election for a period of 2 years. As of June 23, 2023, and June 30, 2023, the company has not drawn on the facility. Any amounts drawn will bear interest of 10% per annum, payable annually in cash or capitalized until three years from closing of the Debt Facility at the Company's election, and thereafter payable in cash only. The maturity date of any drawings under the Debt Facility will be June 23, 2027. For every \$5 million or part thereof advanced under the Debt Facility, the Company will grant a new 0.5% life-of-mine gross revenue royalty, on the same terms as the Royalty, to a maximum of 2.0% on the Primary Claims and 1.4% on the Secondary Claims. The Company may buy back 50% of these royalties for \$20 million. The Company determined that no recognition is required on the financial statements as of September 30, 2023 as no amount has been drawn from the facility.

8. Capital Stock, Warrants and Stock Options

Authorized

The total authorized capital is as follows:

- 1,500,000,000 Common Shares with a par value of \$0.000001 per Common Share; and
- 10,000,000 preferred shares with a par value of \$0.000001 per preferred share

Issued and outstanding

In April 2022, the Company closed a private placement of 37,849,325 Special Warrants and a non-brokered private placement of 1,471,664 units of the Company for aggregate gross proceeds of approximately \$9,384,622 (C\$11,796,297). Related parties, including management, directors, and consultants, participated in the Special Warrant private placement for a total of 4,809,160 shares (included in the total above).

The Special Warrants were issued at a price of C\$0.30 per special warrant. Each Special Warrant shall be automatically exercisable (without payment of any further consideration and subject to customary anti-dilution adjustments) into one unit of the Company (a "Brokered Unit") on the date that is the earlier of: (i) the date that is three (3) business days following the date on which the Company has obtained both (A) a receipt from the Canadian security commission in each of the each of the provinces of Canada which the purchasers and Agents (as defined herein) are residents where the Special Warrants are sold (the "Qualifying Jurisdictions") for a (final) short-form prospectus qualifying the distribution of the common stock of the Company ("Common Shares") and common stock purchase warrants of the Company (the "Warrants") issuable upon exercise of the Special Warrants (the "Qualification Prospectus"); and (B) notification that the registration statement, under U.S. securities laws, of the Company filed with the United States Securities and Exchange Commission (the "SEC") has been declared effective by the SEC (the "Registration Statement"); and (ii) the date that is six months following April 1, 2022 (the "Closing Date"). Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one common share for C\$0.37 until April 1, 2025. The warrants shall also be exercisable on a cashless basis in the event the Registration Statement has not been made effective by the SEC prior to the date of exercise.

On May 31, 2022, the Company announced that it had received a receipt from the Ontario Securities Commission for its final short-form Canadian prospectus qualifying the distribution of the common stock of the Company and common stock purchase warrants of the Company issuable upon exercise of the special warrants of the Company that were issued on April 1, 2022. The Company also announced that it received notice from the United States Securities and Exchange Commission that its Form S-1 has been declared effective as of May 27, 2022. As a result of obtaining the receipt for the Canadian prospectus and the declaration of effectiveness for the Form S-1, each unexercised Special Warrant was automatically exercised into one Common Share and one Warrant without further action on the part of the holders.

The non-brokered 1,471,664 units were issued at a price of C\$0.30 per unit. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one warrant share for C\$0.37 until April 1, 2025.

In connection with the special warrants offering, the agents earned a cash commission in the amount of C\$563,968 and compensation options exercisable to acquire an aggregate of 1,879,892 units of the Company at C\$0.30 a unit until April 1, 2024. Each compensation unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one warrant share for C\$0.37 until April 1, 2024.

In April 2022, the Company issued 1,315,856 common shares in connection with its election to satisfy interest payments under the outstanding convertible debentures for the three months ended March 31, 2022.

In May 2022, the Company issued 10,416,667 units to Teck Resources Limited in consideration towards the purchase of the Pend Oreille Processing Plant at C\$0.245 per unit. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one warrant share for C\$0.37 until May 13, 2025.

In June 2022, the Company issued 1,218,000 units to contractors for bonuses accrued during the three months ended March 31, 2022. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one warrant share for C\$0.37 until April 1, 2025.

In July 2022, the Company issued 1,975,482 common shares in connection with its election to satisfy interest payments under the outstanding convertible debentures for the three months ended June 30, 2022.

In March 2023, the Company amended the exercise price and expiry date of 10,416,667 warrants previously issued in a private placement to Teck Resources (“Teck”) on May 13, 2022 in consideration for the Company’s acquisition of the Pend Oreille processing plant. The warrant entitled the holder to purchase one Common Share of the Company at an exercise price of C\$0.37 per Warrant at any time on or prior to May 12, 2025. The Company amended the exercise price from C\$0.37 to C\$0.11 per Warrant and the expiry date from May 12, 2025, to March 31, 2023, resulting in a gain on modification of warrants of \$214,714. In March 2023, Teck exercised all 10,416,667 warrants at an exercise price of C\$0.11, for aggregate gross proceeds of 837,460 (C\$1,145,834) to the Company. During the three and nine months ending September 30, 2023 the Company recognized a change (gain) in derivative liability of \$nil and \$(400,152) respectively, relating to the Teck warrants using the following assumptions: volatility of 120%, stock price of C\$0.11, interest rate of 3.42% to 4.06%, and dividend yield of 0%.

In March 2023, the Company closed a brokered private placement of special warrants (the “March 2023 Offering”), issuing 51,633,727 special warrants of the Company (“March 2023 Special Warrants”) at C\$0.12 per March 2023 Special Warrant for \$4,536,020 (C\$6,196,047), of which \$3,661,822 was received in cash and \$874,198 was applied towards settlement of accounts payable, accrued liabilities and promissory notes.

Each March 2023 Unit consists of one share of Common Share of the Company (each, a “Unit Share”) and one common stock purchase warrant of the Company (each, a “Warrant”). Each whole Warrant entitles the holder thereof to acquire one Common Share of the Company (a “Warrant Share”, and together with the Unit Shares, the “Underlying Shares”) at an exercise price of C\$0.15 per Warrant Share until March 27, 2026, subject to adjustment in certain events. In the event that the Registration Statement has not been declared effective by the SEC on or before 5:00 p.m. (EST) on July 27, 2023, each unexercised Special Warrant will be deemed to be exercised on the Automatic Exercise Date into one penalty unit of the Company (each, a “Penalty Unit”), with each Penalty Unit being comprised of 1.2 Unit Shares and 1.2 Warrants. Notice of such effectiveness was received on July 11, 2023, eliminating the potential for issuance of the Penalty Units.

In connection with the March 2023 Offering, the Company incurred share issuance costs of \$846,661 and issued 2,070,258 compensation options (the “March 2023 Compensation Options”). Each March 2023 Compensation Option is exercisable at an exercise price of C\$0.12 into one Unit Share and one Warrant Share.

The Special Warrants issued on March 27, 2023 were converted to 51,633,727 Common Shares and common stock purchase warrants on July 24, 2023. The Company determined that in accordance with ASC 815 derivatives and hedging, each Special Warrant will be valued and carried as a single instrument, with the periodic changes to fair value accounted through earnings, profit and loss until the common shares and common stock purchase warrants are issued.

The fair value of the Special Warrant is determined through the valuation of the Unit Share based on the observed price of the Company’s Common Shares, a Level 1 input, together with a valuation of the warrant component of the March 2023 Unit using the Binomial model calibrated with inputs as shown in the table below.

Consistent with the approach above, the following table summarizes the key valuation inputs as at applicable valuation dates:

| March 2023 special warrants | Conversion Date | Grant Date |
|------------------------------------|------------------------|-------------------|
| Expected life | 977 days | 1096 days |
| Volatility | 24% | 24% |
| Risk free interest rate | 4.64% | 3.40% |
| Dividend yield | 0% | 0% |
| Share price (C\$) | \$ 0.15 | \$ 0.11 |
| Fair value of March 2023 Unit | \$ 9,809,314 | \$ 4,536,020 |
| Change in derivative liability | \$ 5,273,294 | |
| Common Stock | \$ 7,425,377 | |
| Warrant | \$ 2,383,937 | |

For prior financings, excluding the March 2023 Special Warrants, the Company has accounted for warrants in accordance with ASC 815 derivatives and hedging. The warrants are considered derivative instruments as they were issued in a currency other than the Company’s functional currency of the United States Dollars. The estimated fair value of warrants accounted for as liabilities was determined on the date of issue and marked to market at each financial reporting period. The change in fair value of the warrant is recorded in the unaudited condensed interim consolidated statements of income (loss) and comprehensive (loss) income as a gain or loss and is estimated using the Binomial model.

The fair value of the warrant liabilities related to the various tranches of outstanding warrants during the period were estimated using the Binomial model to determine the fair value using the following assumptions as at September 30, 2023 and December 31, 2022:

| March 2023 warrants | September 30, 2023 | Grant Date |
|---|---------------------------|--------------------------|
| Expected life | 909 days | 909 days |
| Volatility | 24% | 24 |
| Risk free interest rate | 4.64% | 4.33 |
| Dividend yield | 0% | 0% |
| Share price (C\$) | \$ 0.15 | \$ 0.19 |
| Fair value | \$ 1,149,538 | \$ 2,383,937 |
| Change in derivative liability | \$ (1,234,399) | |
| April 2022 special warrants issuance | September 30, 2023 | December 31, 2022 |
| Expected life | 549 days | 822 days |
| Volatility | 120% | 120% |
| Risk free interest rate | 4.87% | 4.06% |

| | | | |
|--------------------------------|----|-----------|--------------|
| Dividend yield | | 0% | 0% |
| Share price (C\$) | \$ | 0.15 | \$ 0.17 |
| Fair value | \$ | 1,408,152 | \$ 2,406,104 |
| Change in derivative liability | \$ | (997,952) | |

| April 2022 non-brokered issuance | September 30, 2023 | December 31, 2022 |
|---|-------------------------------|------------------------------|
| Expected life | 549 days | 822 days |
| Volatility | 120% | 120% |
| Risk free interest rate | 4.87% | 4.06% |
| Dividend yield | 0% | 0% |
| Share price (C\$) | \$ 0.15 | \$ 0.17 |
| Fair value | \$ 54,751 | \$ 93,553 |
| Change in derivative liability | \$ (38,802) | |

| June 2022 issuance | September 30, 2023 | December 31, 2022 |
|--------------------------------|-------------------------------|------------------------------|
| Expected life | 549 days | 822 days |
| Volatility | 120% | 120% |
| Risk free interest rate | 4.87% | 3.72% |
| Dividend yield | 0% | 0% |
| Share price (C\$) | \$ 0.15 | \$ 0.17 |
| Fair value | \$ 45,314 | \$ 77,429 |
| Change in derivative liability | \$ (32,115) | |

| February 2021 issuance | September 30, 2023 | December 31, 2022 |
|--------------------------------|-------------------------------|------------------------------|
| Expected life | 863 days | 1,136 days |
| Volatility | 120% | 120% |
| Risk free interest rate | 4.64% | 3.72% |
| Dividend yield | 0% | 0% |
| Share price (C\$) | \$ 0.15 | \$ 0.17 |
| Fair value | \$ 872,523 | \$ 1,335,990 |
| Change in derivative liability | \$ (463,467) | |

| August 2020 issuance | September 30, 2023 | December 31, 2022 |
|--------------------------------|-------------------------------|------------------------------|
| Expected life | Expired | 243 days |
| Volatility | N/A | 120% |
| Risk free interest rate | N/A | 4.06% |
| Dividend yield | N/A | 0% |
| Share price (C\$) | \$ N/A | \$ 0.17 |
| Fair value | \$ - | \$ 903,697 |
| Change in derivative liability | \$ (903,697) | |

| June 2019 issuance | September 30, 2023 | December 31, 2022 |
|--------------------------------|-------------------------------|------------------------------|
| Expected life | 823 days | 1,096 days |
| Volatility | 115% | 120% |
| Risk free interest rate | 4.87% | 3.82% |
| Dividend yield | 0% | 0% |
| Share price (C\$) | \$ 0.15 | \$ 0.17 |
| Fair value | \$ 444,149 | \$ 725,737 |
| Change in derivative liability | \$ (281,588) | |

| August 2019 issuance | September 30, 2023 | December 31, 2022 |
|--------------------------------|-------------------------------|------------------------------|
| Expected life | 823 days | 1,096 days |
| Volatility | 115% | 120% |
| Risk free interest rate | 4.87% | 3.82% |
| Dividend yield | 0% | 0% |
| Share price (C\$) | \$ 0.15 | \$ 0.17 |
| Fair value | \$ 682,604 | \$ 1,115,369 |
| Change in derivative liability | \$ (432,765) | |

Outstanding warrants at September 30, 2023 and September 30, 2022 were as follows:

| | <u>Number of warrants</u> | <u>Weighted average exercise price (C\$)</u> | <u>Weighted average grant date value (\$)</u> |
|-----------------------------|-------------------------------|--|---|
| Balance, December 31, 2021 | 111,412,712 | \$ 0.54 | \$ 0.18 |
| Issued | 50,955,636 | 0.37 | 0.15 |
| Expired | (239,284) | 0.70 | 0.21 |
| Balance, September 30, 2022 | <u>162,129,064</u> | <u>0.49</u> | <u>0.17</u> |
| Balance, December 31, 2022 | 162,129,064 | \$ 0.49 | \$ 0.17 |
| Issued | 51,633,727 | 0.15 | 0.05 |
| Expired | (58,284,148) | 0.50 | 0.27 |
| Exercised | (10,416,667) | 0.11 | 0.12 |
| Balance, September 30, 2023 | <u><u>145,061,976</u></u> | <u><u>\$ 0.37</u></u> | <u><u>\$ 0.09</u></u> |

At September 30, 2023, the following warrants were outstanding:

| <u>Expiry date</u> | <u>Exercise price (C\$)</u> | <u>Number of warrants</u> | <u>Number of warrants exercisable</u> |
|--------------------|---------------------------------|-------------------------------|---|
| April 1, 2025 | 0.37 | 40,538,969 | 40,538,969 |
| December 31, 2025 | 0.59 | 32,895,200 | 32,895,200 |
| February 9, 2026 | 0.60 | 17,112,500 | 17,112,500 |
| February 16, 2026 | 0.60 | 2,881,580 | 2,881,580 |
| March 27, 2026 | 0.15 | 51,633,727 | 51,633,727 |
| | | <u><u>145,061,976</u></u> | <u><u>145,061,976</u></u> |

Compensation options

At September 30, 2023, the following broker options were outstanding:

| | <u>Number of broker options</u> | <u>Weighted average exercise price (C\$)</u> |
|---|---|--|
| Balance, December 31, 2021 | 3,590,907 | 0.35 |
| Issued – April 2022 Compensation Options (i) | 1,879,892 | 0.30 |
| Balance, December 31, 2022 | 5,470,799 | \$ 0.34 |
| Issued – March 2023 Compensation Options (ii) | 2,070,258 | 0.15 |
| Expired – August 2020 Compensation Options | (3,239,907) | 0.35 |
| Balance, September 30, 2023 | <u><u>4,301,150</u></u> | <u><u>0.24</u></u> |

- (i) The grant date fair value of the April 2022 Compensation Options were estimated at \$264,435 using the Black-Scholes valuation model with the following underlying assumptions:

| <u>Grant Date</u> | <u>Risk free interest rate</u> | <u>Dividend yield</u> | <u>Volatility</u> | <u>Stock price</u> | <u>Weighted average life</u> |
|-------------------|--------------------------------|-----------------------|-------------------|--------------------|------------------------------|
| April 2022 | 2.34% | 0% | 120% | C\$0.30 | 2 years |

- (ii) The grant date fair value of the March 2023 Compensation Options were estimated at \$111,971 using the Black-Scholes valuation model with the following underlying assumptions:

| <u>Grant Date</u> | <u>Risk free interest rate</u> | <u>Dividend yield</u> | <u>Volatility</u> | <u>Stock price</u> | <u>Weighted average life</u> |
|-------------------|--------------------------------|-----------------------|-------------------|--------------------|------------------------------|
| March 2023 | 3.4% | 0% | 120% | C\$0.11 | 3 years |

| <u>Expiry date</u> | <u>Exercise price (C\$)</u> | <u>Number of broker options</u> | <u>Grant date Fair value (\$)</u> |
|----------------------------------|-----------------------------|---------------------------------|-----------------------------------|
| February 16, 2024 ⁽ⁱ⁾ | \$ 0.40 | 351,000 | \$ 68,078 |
| April 1, 2024 ⁽ⁱⁱ⁾ | \$ 0.30 | 1,879,892 | \$ 264,435 |
| March 27, 2026 ⁽ⁱⁱⁱ⁾ | \$ 0.15 | 2,070,258 | \$ 111,971 |
| | | <u>4,301,150</u> | <u>\$ 444,484</u> |

- i) Exercisable into one February 2021 Unit
ii) Exercisable into one April 2022 Unit
iii) Exercisable into one March 2023 Unit

Stock options

The following table summarizes the stock option activity during the nine months ended September 30, 2023:

| | <u>Number of stock options</u> | <u>Weighted average exercise price (C\$)</u> |
|-----------------------------|--------------------------------|--|
| Balance, December 31, 2021 | 9,053,136 | \$ 0.58 |
| Granted (i) | 700,000 | \$ 0.15 |
| Expired, May 1, 2022 | (47,000) | \$ 10.00 |
| Forfeited | (150,000) | \$ 0.15 |
| Expired, December 31, 2022 | <u>(235,500)</u> | <u>\$ 0.50</u> |
| Balance, December 31, 2022 | 9,320,636 | \$ 0.51 |
| Expired, September 30, 2023 | <u>(200,000)</u> | <u>\$ 0.60</u> |
| Balance, September 30, 2023 | <u>9,120,636</u> | <u>\$ 0.51</u> |

- (i) On August 22, 2022, the Company granted 300,000 Stock Options to certain employee of the Company with half vesting immediately and a quarter vesting on the first and second anniversary of the grant date. On November 23, 2022, the Company granted 400,000 Stock Options to certain employee of the Company with half vesting immediately and a quarter vesting on the first and second anniversary of the grant date.

The following table reflects the actual stock options issued and outstanding as of September 30, 2023:

| Exercise price (C\$) | remaining contractual life (years) | Number of options outstanding | Number of options vested (exercisable) | Grant date fair value (\$) |
|-----------------------------|---|--------------------------------------|---|-----------------------------------|
| 0.60 | 1.07 | 1,575,000 | 1,575,000 | 435,069 |
| 0.55 | 1.56 | 5,957,659 | 4,468,245 | 1,536,764 |
| 0.335 | 2.39 | 1,037,977 | 1,037,977 | 204,213 |
| 0.15 | 0.15 | 150,000 | 150,000 | 14,465 |
| 0.15 | 4.15 | 400,000 | 200,000 | 37,387 |
| | | <u>9,120,636</u> | <u>7,431,222</u> | <u>\$ 2,227,898</u> |

The vesting of stock options during the three and nine months ending September 30, 2023, resulted in stock based compensation expenses of \$27,725 and \$120,865 respectively (\$72,066 and \$241,060 for the three and nine months ending September 30, 2022, respectively).

9. Restricted Share Units

Effective March 25, 2020, the Board of Directors approved a Restricted Share Unit (“RSU”) Plan to grant RSUs to its officers, directors, key employees and consultants.

The following table summarizes the RSU activity during the nine months ended September 30, 2023:

| | Number of shares | Weighted average grant date fair value per share (C\$) |
|-----------------------------------|-----------------------------|---|
| Unvested as at December 31, 2021 | 576,000 | \$ 0.62 |
| Granted | 6,620,641 | 0.17 |
| Vested | (2,373,900) | 0.18 |
| Unvested as at December 31, 2022 | 4,822,741 | \$ 0.22 |
| Granted | 10,844,993 | 0.23 |
| Vested | (5,767,218) | 0.24 |
| Unvested as at September 30, 2023 | <u>9,900,516</u> | <u>\$ 0.22</u> |

- (i) On January 10, 2022, the Company granted 500,000 RSUs to a consultant of the Company, vested immediately. The vesting of these RSUs resulted in stock-based compensation of \$122,249 for the six months ended June 30, 2022, which is included in operation and administration expenses on the unaudited condensed consolidated statements of (loss) income and comprehensive (loss) income.
- (ii) On April 29, 2022, the Company granted 76,750 RSUs to certain consultants of the Company, vested immediately. The vesting of these RSUs resulted in stock-based compensation of \$16,800 for the year ended December, 2022, which is included in operation and administration expenses on the consolidated statements of (loss) income and comprehensive (loss) income.
- (iii) On June 30, 2022, the Company granted 15,000 RSUs to a consultant of the Company, vested immediately. The vesting of these RSUs resulted in stock-based compensation of \$2,328 for the year ended December 31, 2022, which is included in operation and administration expenses on the consolidated statements of (loss) income and comprehensive (loss) income.
- (iv) On September 29, 2022 the Company granted 33,000 RSUs to two consultants of the Company, vesting immediately. The vesting of these RSUs resulted in stock-based compensation of \$2,889 for the nine months ended September 30, 2022, which is included in operation and administration expenses on the unaudited condensed interim consolidated statements of income (loss) and comprehensive (loss) income.
- (v) On June 1, 2023, the Company granted 4,067,637 RSUs to executives and employees of the Company, vested immediately. The vesting of these RSUs resulted in stock-based compensation of \$322,905 for the nine months ended September 30, 2023, which is included in operation and administration expenses on the consolidated statements of (loss) income and comprehensive (loss) income.
- (vi) On June 4, 2023, the Company granted 42,000 RSUs to a consultant of the Company, vested immediately. The vesting of these RSUs resulted in stock-based compensation of \$7,825 for the nine months ended September 30, 2023, which is included in operation and administration expenses on the consolidated statements of (loss) income and comprehensive (loss) income.

- (vii) On July 4, 2023, the Company granted 6,735,356 RSUs to executives and employees of the Company, which vest in one-third increments on March 31 of 2024, 2025 and 2026. The vesting of these RSUs resulted in stock-based compensation of \$214,897 for the nine months ended September 30, 2023, which is included in operation and administration expenses on the consolidated statements of (loss) income and comprehensive (loss) income.

The vesting of RSU's during the three and nine months ending September 30, 2023, resulted in stock based compensation expense of \$271,021 and \$865,745 respectively (\$14,585 and \$53,444 for the three and nine months ending September 30, 2022, respectively).

10. Deferred Share Units

Effective April 21, 2020, the Board of Directors approved a Deferred Share Unit (“DSU”) Plan to grant DSUs to its directors. The DSU Plan permits the eligible directors to defer receipt of all or a portion of their retainer or compensation until termination of their services and to receive such fees in the form of cash at that time.

Upon vesting of the DSUs or termination of service as a director, the director will be able to redeem DSUs based upon the then market price of the Company’s Common Share on the date of redemption in exchange for cash.

The following table summarizes the DSU activity during the nine months ended September 30, 2023 and 2022:

| | Number of shares | Weighted average grant date fair value per share (C\$) |
|-----------------------------------|-----------------------------|---|
| Unvested as at December 31, 2021 | 5,625,000 | \$ 1.03 |
| Vested (i) | (3,125,000) | 1.03 |
| Unvested as at December 31, 2022 | 2,710,000 | 0.97 |
| Granted (ii, iii) | 1,857,280 | 0.23 |
| Vested (iv, v) | (3,071,826) | 0.55 |
| Unvested as at September 30, 2023 | <u>1,495,454</u> | <u>\$ 0.90</u> |

- (i) On March 31, 2022, the Board approved the early vesting of 625,000 DSUs for one of the Company’s Directors. During the three months ended June 30, 2022, the director redeemed 2,500,000 DSUs for C\$750,000, and elected to use net proceeds to subscribe for 375,000 units in the Company’s April 2022 special warrant issuance at C\$0.30 per unit, with the balance of the redeemed amount payable in cash after applicable withholding tax deductions.
- (ii) On July 4, 2023, 1,611,826 DSUs were issued to the Company’s Directors which vested immediately.
- (iii) On July 6, 2023, 245,454 DSUs were issued to one of the Company’s Directors which vests on July 6, 2024.
- (iv) On April 21, 2023, 1,250,000 DSUs for one of the Company’s Directors vested.
- (v) On July 1, 2023, 210,000 DSUs for one of the Company’s Directors vested.

The vesting of DSU’s during the three and nine months ending September 30, 2023, resulted in stock based compensation recovery (expense) of \$141,969 and (\$145,355), respectively (stock based recovery of \$188,194 and \$1,083,610 for the three and nine months ending September 30, 2022, respectively).

11. Commitments and Contingencies

As stipulated in the agreement with the EPA and as described in Note 6, the Company is required to make two types of payments to the EPA and IDEQ, one for historical water treatment cost-recovery to the EPA, and the other for ongoing water treatment. Water treatment costs incurred through December 2021 are payable to the EPA, and water treatment costs incurred thereafter are payable to the IDEQ. The IDEQ (as done formerly by the EPA) invoices the Company on an annual basis for the actual water treatment costs, which may exceed the recognized estimated costs significantly. When the Company receives the water treatment invoices, it records any liability for actual costs over and above any estimates made and adjusts future estimates as required based on these actual invoices received. The Company is required to pay for the actual costs regardless of the periodic required estimated accruals and payments made each year.

On July 28, 2021, a lawsuit was filed in the US District Court for the District of Idaho brought by Crescent Mining, LLC (“Crescent”). The named defendants include Placer Mining, Robert Hopper Jr., and the Company. The lawsuit alleges that Placer Mining and Robert Hopper Jr. intentionally flooded the Crescent Mine during the period from 1991 and 1994, and that the Company is jointly and severally liable with the other defendants for unspecified past and future costs associated with the presence of Acid Mine Drainage in the Crescent Mine. The plaintiff has requested unspecified damages. On September 20, 2021, the Company filed a motion to dismiss Crescent’s claims against it, contending that such claims are facially deficient. On March 2, 2022, Chief US District Court Judge, David C. Nye granted in part and denied in part the Company’s motion to dismiss. The court granted the Company’s motion to dismiss Crescent’s Cost Recovery claim under CERCLA Section 107(a), Declaratory Judgment, Tortious Interference, Trespass, Nuisance and Negligence claims. These claims were dismissed without prejudice. The court denied the motion to dismiss filed by Placer Mining Corp. for Crescent’s trespass, nuisance and negligence claims. Crescent later filed an amended complaint on April 1, 2022. Placer Mining Corp. and Bunker Hill Mining Corp are named as co-defendants. The Company responded to the amended filing, refuting and denying all allegations made in the complaint except those that are assertions of fact as a matter of public record. The Company believes the lawsuit against Placer Mining Corp. is without merit and intends to defend Placer Mining Corp. vigorously pursuant to the Company’s indemnification of Placer Mining Corp in the Sale and Purchase agreement executed between the companies for the Mine on December 15, 2021.

During the nine months ended September 30, 2023, the Company entered into a lease agreement with C & E Tree Farm LLC for the lease of a land parcel overlaying a portion of the Company’s existing mineral claims package. The Company is committed to making monthly payments of \$10,000 through February 2026 (note 5).

12. Deferred tax liability

The Company incurred income tax recovery (expense) of \$0.90 million and (\$2.61) million for the three and nine months ended September 30, 2023 respectively, and incurred no income tax expense for the three and nine months ended September 30, 2022. The Company’s effective income tax rate for the first nine months of 2023 was -52.0% compared to 0.0% for the first nine months of 2022. The effective tax rate during the first nine months of 2023 rate differed from the statutory rate primarily due to the income tax treatment of the Stream proceeds as deferred revenue compared to its treatment as debt under U.S. GAAP thereby resulting in a decrease of the existing valuation allowance against deferred tax assets related to the expected utilization of \$35.8 million of net operating losses not previously benefitted. The Company maintains a valuation allowance against net operating losses subject to Section 382 and against other deferred tax assets. The effective tax rate during the first nine months of 2022 rate differed from the statutory rate primarily due to changes in the valuation allowance established to offset net deferred tax assets.

A valuation allowance is provided for deferred tax assets for which it is more likely than not that the related tax benefits will not be realized. The Company analyzes its deferred tax assets and, if it is determined that the Company will not realize all or a portion of its deferred tax assets, it will record or increase a valuation allowance. Conversely, if it is determined that the Company will likely ultimately be able to realize all or a portion of the related benefits for which a valuation allowance has been provided, all or a portion of the related valuation allowance will be reduced.

13. Related party transactions

The Company’s key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company’s executive management team and management directors.

| | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|-------------------------|--|--|---|---|
| Consulting fees & wages | \$ 225,061 | \$ 248,472 | \$ 797,978 | \$ 1,832,323 |

At September 30, 2023 and September 30, 2022, \$nil and \$15,000, respectively is owed to key management personnel with all amounts included in accounts payable and accrued liabilities.

14. Subsequent Events

In October 2023, the Company issued 5,175,000 common shares in connection with its election to satisfy interest payments under the outstanding convertible debentures for the three months ended September 30, 2023.

Item 2. Management’s Discussion and Analysis of Financial Condition or Plan of Operation

SPECIAL NOTE OF CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report, including statements in the following discussion, are what are known as “forward looking statements”, which are basically statements about the future. For that reason, these statements involve risk and uncertainty since no one can accurately predict the future. Words such as “plans,” “intends,” “will,” “hopes,” “seeks,” “anticipates,” “expects” and the like often identify such forward looking statements, but are not the only indication that a statement is a forward-looking statement. Such forward looking statements include statements concerning the Company’s plans and objectives with respect to the present and future operations of the Company, and statements which express or imply that such present and future operations will or may produce revenues, income or profits. Numerous factors and future events could cause the Company to change such plans and objectives or fail to successfully implement such plans or achieve such objectives, or cause such present and future operations to fail to produce revenues, income or profits. Therefore, the reader is advised that the following discussion should be considered in light of the discussion of risks and other factors contained in this report and in the Company’s other filings with the SEC. No statements contained in the following discussion should be construed as a guarantee or assurance of future performance or future results.

DESCRIPTION OF BUSINESS

Corporate Information

The Company was incorporated under the laws of the State of Nevada, U.S.A on February 20, 2007 under the name Lincoln Mining Corp. On February 11, 2010, the Company changed its name to Liberty Silver Corp and subsequently, on September 29, 2017, the Company changed its name to Bunker Hill Mining Corp. The Company’s registered office is located at 1802 N. Carson Street, Suite 212, Carson City Nevada 89701, and its head office is located at 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1, and its telephone number is 416-477-7771. The Company’s website is www.bunkerhillmining.com. Information appearing on the website is not incorporated by reference into this report.

Background and Overview

The Company’s sole focus is the development and restart of its 100% owned Bunker Hill mine (the “Mine”) in Idaho, US The Mine remains the largest single producing mine by tonnage in the Silver Valley region of northwest Idaho, producing over 165 million ounces of silver and 5 million tons of base metals between 1885 and 1981. The Mine is located within Operable Unit 2 of the Bunker Hill Superfund site (EPA National Priorities Listing IDD048340921), where cleanup activities have been completed.

The Company purchased the Mine on January 7, 2022 for \$5,400,000 in cash. Prior to purchasing the Mine, the Company had entered into a series of agreements with Placer Mining Corporation (“Placer Mining”), the prior owner, for the lease and option to purchase the Mine. The first of these agreements was announced on August 28, 2017, with subsequent amendments and/or extensions announced on November 1, 2019, July 7, 2020, and November 20, 2020.

Under the most recent of these agreements, the Company was required to make payments pursuant to an agreement with the U.S. Environmental Protection Agency (“EPA”) whereby for so long as the Company leases, owns and/or occupies the Mine, the Company would make payments to the EPA on behalf of Placer Mining in satisfaction of the EPA’s claim for historical water treatment cost recovery in accordance with the Settlement Agreement reached with the EPA in 2018. Immediately prior to the purchase of the Mine, the Company’s liability to EPA in this regard totaled \$11,000,000. Concurrent with the purchase of the Mine, the Company assumed incremental liabilities of \$8,000,000 to the EPA, consistent with the terms of the amended Settlement Agreement with the EPA that was executed in December 2021 (see “EPA 2018 Settlement Agreement & 2021 Amended Settlement Agreement” in the “Our Business” section above).

In early 2020, a new management team comprised of former executives from Barrick Gold Corp. assumed leadership of the Company. Since that time, the Company conducted multiple exploration campaigns, published multiple economic studies and Mineral Resource Estimates, and advanced the rehabilitation and development of the Mine. In December 2021, it announced a project finance package with Sprott Private Resource Streaming & Royalty Corp. (“SRSR”), an amended Settlement Agreement with the EPA, and the purchase of the Bunker Hill Mine, setting the stage for a restart of the Mine.

Key milestones following the purchase of the mine have included the purchase and demobilization of a process plant to site, advancement of engineering and a Prefeasibility Study envisaging the restart of the Mine, the completion of the primary portion of the ramp decline connecting the 5 and 6 Levels and securing of \$96,000,000 of financing commitments from SRSR.

Results of Operations

The following discussion and analysis provide information that is believed to be relevant to an assessment and understanding of the results of operation and financial condition of the Company for the three and nine months ended September 30, 2023, and September 30, 2022. Unless otherwise stated, all figures herein are expressed in United States Dollars, which is the Company’s functional currency.

Comparison of the three and nine months ended September 30, 2023, and 2022

Revenue

During the three and nine months ended September 30, 2023, and 2022, respectively, the Company generated no revenue.

Expenses

During the three and nine months ended September 30, 2023, the Company reported total operating expenses of \$2,771,722 and \$8,294,183, respectively (total operating expenses of \$3,824,948 and \$13,291,484 for the three and nine months ending September 30, 2022, respectively).

The decrease in total operating expenses was primarily due to (i) a decrease in mine preparation expenses of \$2,533,101, and \$6,861,403 (ii) a decrease in consulting and wages expenses of \$132,774 and \$2,355,473 (iii) partially offset by an increase in operation and admin expenses of \$1,379,974 and \$3,827,267 for the three and nine months ending, respectively. Mine preparation expenses were \$nil in the nine months ended September 30, 2023, primarily as a result of the Company determining that costs directly attributed to the mine after September 30, 2022 (upon the release of the prefeasibility study) constituted mine development costs (capitalized to non-current assets) instead of mine preparation costs (expense) given the existence of probable mineral reserves and an economic study incorporating them. The decrease in consulting and wages expenses was impacted by a lower volume of transactions and a lower bonus accrual in the three and nine months ended September 30, 2023, as compared to the three and nine months ended September 30, 2022. Operation and admin expenses increased due to increased activities at site.

Net (Loss) Income and Comprehensive (Loss) Income

The Company had net income of \$7,447,860 for the three months ended September 30, 2023 (\$3,690,353 for the three months ended September 30, 2022). Offsetting the decrease in operating expenses (as described above), net loss in the three months ended September 30, 2023 was impacted by an increase in interest income of \$476,397 (\$nil for three months ending September 30, 2022) an increase in the gain recorded due to change in derivative liability of \$1,216,469 (\$8,513,630 and \$7,315,161 for the three months ended September 30, 2023 and 2022 respectively) and an increase in the gain recorded due to change in convertible debentures of \$1,149,899 (\$2,450,968 and \$1,301,069 for the three months ended September 30, 2023 and 2022 respectively). Both changes in fair value were driven by a proportionally greater decline in the Company's share price for the three months ending September 30, 2023, relative to the decline in share price in the three months ending September 30, 2022. Net loss for the three months ending September 30, 2023, includes a deferred tax recovery of \$903,000 compared to \$nil for the three months ending September 30, 2022. Partially offset by an increase in interest expense of \$1,267,410 (\$2,293,643 and 1,026,233 for the three months ended September 2023 and 2022 respectively).

The Company had net loss of \$7,618,775 for the nine months ended September 30, 2023 (net income of \$12,864,248 for the nine months ended September 30, 2022). Offsetting the decrease in operating expenses (as described above), net loss in the nine months ended September 30, 2023 a decrease in the gain recorded due to change in derivative liability of \$19,026,737 (loss of \$488,357 and gain of \$18,538,380 for the nine months ended September 30, 2023 and 2022 respectively) and a decrease in the gain recorded due to change in convertible debentures of \$784,619 (\$2,256,437 and \$3,041,056 for the three months ended September 30, 2023 and 2023 respectively). Both changes in fair value were driven by a proportionally smaller decline in the Company's share price for the nine months ending September 30, 2023, relative to the decline in share price in the three months ending September 30, 2022. The change in net loss was further impacted by a decrease of \$1,496,683 gain on extinguishment in debt in the nine months ending September 30, 2023, compared to the nine months ending September 30, 2022. A gain of \$7,117,420 was recognized in the nine months ending September 30, 2023, relating to the sale of mineral properties, compared with a \$8,614,103 gain on EPA settlement in the nine months ending September 30, 2022. The decrease in net income was further increased by a higher interest expense in the nine months ending September 30, 2023 (\$5,006,692) compared to the nine months ending September 30, 2022 (2,143,840). Net loss for the nine months ending September 30, 2023, also included the initial recognition of a deferred tax liability and corresponding deferred tax expense relating to the closing of the stream transaction (\$2,605,741 for the nine months ending September 30, 2023, compared to \$nil for the nine months ending September 30, 2022). The decrease in net income was partially offset by an increase in interest income of \$707,530 (\$nil for three months ending September 30, 2022).

The Company had comprehensive income (loss) of \$7,516,598 and (\$7,116,440) for the three and nine months ended September 30, 2023, respectively (comprehensive income of \$4,315,403 and \$13,860,884 for the three and nine months ended September 30, 2022, respectively). Comprehensive (loss) income for the three and nine months ended September 30, 2023, is inclusive of a \$68,738 and \$502,335 gain on change in fair value on own credit risk (\$625,050 and \$996,636 for the three and nine months ended September 30, 2022, respectively).

Liquidity and Capital Resources

Current Assets and Total Assets

As of September 30, 2023, the Company had total current assets of \$35,521,813, compared to total current assets of \$7,741,052 at December 31, 2022 – an increase of \$27,780,761; and total assets of \$65,164,122, compared to total assets of \$32,929,892 at December 31, 2022 – an increase of \$32,234,230. The increase in current assets and total assets was primarily due to the closing of the \$46,000,000 Stream, net of repayment of the \$5,000,000 Bridge Loan and transaction related costs.

Current Liabilities and Total Liabilities

As of September 30, 2023, the Company had total current liabilities of \$5,122,137 and total liabilities of \$86,356,025, compared to total current liabilities of \$10,155,582 and total liabilities of \$59,106,835 at December 31, 2022. Current liabilities decreased primarily as a result of the partial repayment of the promissory note, and settlement of accounts payable and accrued liabilities from the proceeds of the Stream. Total liabilities increased primarily as a result of closing of the \$46,000,000 Stream and recognition of deferred tax liability, partially offset by a decrease in the carrying values of CD1 and CD2 as well as the settlement of the RCD and the bridge loan.

Working Capital and Shareholders' Deficit

As of September 30, 2023, the Company had a working capital balance of \$30,399,676 and a shareholders' deficiency of \$21,191,903 compared to a working capital deficit of \$2,414,530 and a shareholders' deficiency of \$26,176,943 as of December 31, 2022. The working capital balance increased during the nine months ended September 30, 2023, primarily due to cash received from closing of the \$46,000,000 Stream (net of repayment of the \$5,000,000 Bridge Loan and transaction related costs) and cash received from the closing of a brokered private placement of special warrants of the Company, partially offset by operating expenses and capital expenditures incurred during the period. The shareholders' deficiency decreased due to net loss for the nine months ended September 30, 2023, partially offset by an increase due to proceeds received from equity financing in the nine months ended September 30, 2023.

Cash Flow

During the nine months ended September 30, 2023, the Company had a net cash increase of \$27,652,390, primarily due to the closing of a brokered private placement of special warrants of the Company and proceeds received from the exercise of warrants and closing of the Stream agreement with SRSR. Cash expenditures during the nine months ended September 30, 2023, were primarily related to working capital requirements.

Subsequent Events

In October 2023, the Company issued 5,175,000 common shares in connection with its election to satisfy interest payments under the outstanding convertible debentures for the three months ended September 30, 2023.

Critical accounting estimates

The preparation of the interim unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the share awards and warrant liabilities are determined at the date of grant using generally accepted valuation techniques and for warrant liabilities at each balance sheets date thereafter. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price and expected dividend yield. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Convertible Loans, Promissory Notes, Stream Obligation and Warrants

Estimating the fair value of derivative warrant liability requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the issuance. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the warrants derivative liability, volatility and dividend yield and making assumptions about them.

The fair value estimates of the convertible loans use inputs to the valuation model that include risk-free rates, equity value per common share, USD-CAD exchange rates, spot and futures prices of minerals, expected equity volatility, expected volatility in minerals prices, discount for lack of marketability, credit spread, expected mineral production over the life of the mine, and project risk/estimation risk factors.

The stream obligation inputs used to determine the future cash flows and effective interest for the amortized cost calculation include futures prices of minerals and expected mineral production over the life of the mine.

The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's balance sheets and the consolidated statements of operations. Assets are reviewed for an indication of impairment at each reporting date. This determination requires significant judgment. Factors that could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration activities or a significant drop in precious metal prices.

Accrued liabilities

The Company has to make estimates to accrue for certain expenditures due to delay in receipt of third-party vendor invoices. These accruals are made based on trends, history and knowledge of activities. Actual results may be different.

The Company makes monthly estimates of its water treatment costs, with a true-up to the annual invoice received from the IDEQ. Using the actual costs in the annual invoice, the Company will then reassess its estimate for future periods. Given the nature, complexity and variability of the various actual cost items included in the invoice, the Company has used the most recent invoice as its estimate of the water treatment costs for future periods.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Securities and Exchange Commission (“SEC”) defines the term “disclosure controls and procedures” to mean a company’s controls and other procedures of an issuer that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 (the “Exchange Act”) is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Company maintains such a system of controls and procedures in an effort to ensure that all information which it is required to disclose in the reports it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified under the SEC’s rules and forms and that information required to be disclosed is accumulated and communicated to principal executive and principal financial officers to allow timely decisions regarding disclosure.

As of the end of the period covered by this report, the Company made an evaluation of the effectiveness of the design and operation of the disclosure controls and procedures over financial reporting for the timely alert to material information required to be included in the Company’s periodic SEC reports and of ensuring that such information is recorded, processed, summarized and reported within the time periods specified. This evaluation resulted in the conclusion that the design and operation of the disclosure controls and procedures were effective as of September 30, 2023.

Internal Control Over Financial Reporting

The management of the Company is responsible for the preparation of the financial statements and related financial information appearing in this report. The financial statements and notes have been prepared in conformity with accounting principles generally accepted in the United States of America. The management of the Company also is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. A company’s internal control over financial reporting is defined as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company’s internal control over financial reporting includes those policies and procedures that: i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the Company; and iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Management, including the CEO and CFO, does not expect that the Company's disclosure controls, procedures and internal control over financial reporting will prevent all error and all fraud. Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable, not absolute, assurance that the objectives of the control system are met and may not prevent or detect misstatements. Further, over time, control may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented if there exists in an individual a desire to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

With the participation of the CEO and CFO, the Company's management evaluated the effectiveness of the Company's internal control over financial reporting as of June 30, 2023 to ensure that information required to be disclosed by the Company in the reports filed or submitted by the Company under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including to ensure that information required to be disclosed by the Company in the reports filed or submitted by the Company under the Exchange Act is accumulated and communicated to the Company's management, including the Company's principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, the Company's CEO and CFO have concluded that the internal control over financial reporting was effective as of September 30, 2023.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Other than as described below, neither the Company nor its property is the subject of any current, pending, or threatened legal proceedings. The Company is not aware of any other legal proceedings in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of the Company's voting securities, or any associate of any such director, officer, affiliate or security holder of the Company, is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries.

On July 28, 2021, a lawsuit was filed in the US District Court for the District of Idaho brought by Crescent Mining, LLC ("Crescent"). The named defendants include Placer Mining, Robert Hopper Jr., and the Company. The lawsuit alleges that Placer Mining and Robert Hopper Jr. intentionally flooded the Crescent Mine during the period from 1991 and 1994, and that the Company is jointly and severally liable with the other defendants for unspecified past and future costs associated with the presence of AMD in the Crescent Mine. The plaintiff has requested unspecified damages. On September 20, 2021, the Company filed a motion to dismiss Crescent's claims against it, contending that such claims are facially deficient. On March 2, 2022, Chief US District Court Judge, David C. Nye granted in part and denied in part the Company's motion to dismiss. The court granted the Company's motion to dismiss Crescent's Cost Recovery claim under CERCLA Section 107(a), Declaratory Judgment, Tortious Interference, Trespass, Nuisance and Negligence claims. These claims were dismissed without prejudice. The court denied the motion to dismiss filed by Placer Mining Corp. for Crescent's trespass, nuisance and negligence claims. Crescent later filed an amended complaint on April 1, 2022. Placer Mining Corp. and Bunker Hill Mining Corp are named as co-defendants. The Company responded to the amended filing, refuting and denying all allegations made in the complaint except those that are assertions of fact as a matter of public record. The Company believes the lawsuit against Placer Mining Corp. is without merit and intends to defend Placer Mining Corp. vigorously pursuant to the Company's indemnification of Placer Mining Corp in the Sale and Purchase agreement executed between the companies for the Mine on December 15, 2021.

On October 26, 2021, the Company asserted claims against Crescent in a separate lawsuit. Bunker Hill Mining Corporation v. Venzee Technologies Inc. et al, Case No. 2:21-cv-209-REP, filed in the same court on May 14, 2021. The Company has subsequently executed a tolling agreement with Venzee in exchange for dropping its lawsuit. The Company originally filed this lawsuit on May 14, 2021 against other parties but has since filed an amended complaint to include its claims against Crescent. This lawsuit has been consolidated into the lawsuit Crescent filed on July 28, 2021.

Item 1A. Risk Factors

There have been no changes to our risk factors as reported in our annual report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities and Use Of Proceeds

Not Applicable.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Pursuant to Section 1503(a) of the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, issued under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”) by the Mine Safety and Health Administration (the “MSHA”), as well as related assessments and legal actions, and mining-related fatalities.

The following table provides information for the three months ended September 30, 2023.

| Mine | Mine Act §104 Violations (1) | Mine Act §104(b) Orders (2) | Mine Act §104(d) Citations and Orders (3) | Mine Act §110(b)(2) Violations (4) | Mine Act §107(a) Orders (5) | Proposed Assessments from MSHA (In dollars \$) (6) | Mining Related Fatalities (7) | Mine Act §104(e) Notice (yes/no) (8) | Pending Legal Action before Federal Mine Safety and Health Review Commission (yes/no) (9) |
|------------------|------------------------------|-----------------------------|---|------------------------------------|-----------------------------|--|-------------------------------|--------------------------------------|---|
| Bunker Hill Mine | 0 | 0 | 0 | 0 | 0 | 0 | 0 | No | No |

- (1) The total number of violations received from MSHA under §104 of the Mine Act, which includes citations for health or safety standards that could significantly and substantially contribute to a serious injury if left unabated.
- (2) The total number of orders issued by MSHA under §104(b) of the Mine Act, which represents a failure to abate a citation under §104(a) within the period of time prescribed by MSHA.
- (3) The total number of citations and orders issued by MSHA under §104(d) of the Mine Act for unwarrantable failure to comply with mandatory health or safety standards.
- (4) The total number of flagrant violations issued by MSHA under §110(b)(2) of the Mine Act.
- (5) The total number of orders issued by MSHA under §107(a) of the Mine Act for situations in which MSHA determined an imminent danger existed.
- (6) A written notice from the MSHA regarding a pattern of violations, or a potential to have such pattern under §104(e) of the Mine Act.

Item 5. Other Information

None.

Item 6. Exhibits

| <u>Exhibit No.</u> | <u>Document</u> |
|--------------------|--|
| 31.1 | Certification of the Chief Executive Officer pursuant to Rule 13a-14 of the Exchange Act |
| 31.2 | Certification of the Chief Financial Officer pursuant to Rule 13a-14 of the Exchange Act |
| 32.1 | Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | Inline XBRL Instance Document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the Registrant has caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 13, 2023

BUNKER HILL MINING CORP.

By /s/ Sam Ash

Sam Ash, Chief Executive Officer and President

In accordance with Section 12 of the Securities Exchange Act of 1934, the Registrant has caused Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 13, 2023

BUNKER HILL MINING CORP.

By /s/ Gerbrand Van Heerden

Gerbrand Van Heerden, Chief Financial Officer and
Corporate Secretary

CERTIFICATION

I, Sam Ash, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bunker Hill Mining Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023

By: /s/ Sam Ash
Sam Ash, Chief Executive Officer, President and
Principal Executive Officer

A signed original of this written statement has been provided to the registrant and will be retained by the registrant to be furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION

I, Gerbrand Van Heerden, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bunker Hill Mining Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023

By: /s/ Gerbrand Van Heerden

Gerbrand Van Heerden, Chief Financial Officer,
Principal Financial Officer

A signed original of this written statement has been provided to the registrant and will be retained by the registrant to be furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Bunker Hill Mining Corp., (the “Company”) on Form 10-Q for the period ending September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sam Ash, Chief Executive Officer, President and Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Bunker Hill Mining Corp.

/s/ Sam Ash

DATE: November 13, 2023

Sam Ash, Chief Executive Officer and President

A signed original of this written statement required by Section 906 has been provided to Bunker Hill Mining Corp. and will be retained by Bunker Hill Mining Corp. to be furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Bunker Hill Mining Corp., (the “Company”) on Form 10-Q for the period ending September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gerbrand Van Heerden, Chief Financial Officer and Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Bunker Hill Mining Corp.

/s/ Gerbrand Van Heerden

DATE: November 13, 2023

Gerbrand Van Heerden, Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Bunker Hill Mining Corp. and will be retained by Bunker Hill Mining Corp. to be furnished to the Securities and Exchange Commission or its staff upon request.
