

**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, 2020

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

Commission File Number: 333-150028

**BUNKER HILL MINING CORP.**  
**(FORMERLY LIBERTY SILVER CORP.)**  
(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation)

32-0196442

(IRS Employer Identification Number)

**82 Richmond Street East  
Toronto, Ontario, Canada, M5C 1P1**

(Address of principal executive offices)

**416-477-7771**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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

Indicate by check mark whether the Registrant is  a large accelerated filer,  an accelerated filer,  a non-accelerated filer,  a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act) or  an 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

As of November 23, 2020, the Issuer had 143,117,068 shares of common stock issued and outstanding.

## **PART I - FINANCIAL INFORMATION**

### **ITEM 1. FINANCIAL STATEMENTS**

The financial statements of Bunker Hill Mining Corp. (formerly Liberty Silver 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 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 fiscal year ended June 30, 2020, and all amendments thereto.

### **BUNKER HILL MINING CORP. (FORMERLY LIBERTY SILVER CORP.) INTERIM CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS PERIOD ENDED SEPTEMBER 30, 2020**

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**BUNKER HILL MINING CORP.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**THREE MONTHS ENDED SEPTEMBER 30, 2020**  
**(EXPRESSED IN UNITED STATES DOLLARS)**  
**(UNAUDITED)**

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

	As at September 30, 2020	As at June 30, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 8,638,468	\$ 61,973
Accounts receivable	89,528	78,692
Prepaid expenses	252,571	102,714
<b>Total current assets</b>	<b>8,980,567</b>	<b>243,379</b>
<b>Non-current assets</b>		
Equipment (note 4)	272,543	207,810
Right-of-use assets (note 5)	185,325	212,755
Long term deposit	68,939	68,939
Mining interests (note 7)	1	1
<b>Total assets</b>	<b>\$ 9,507,375</b>	<b>\$ 732,884</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable (notes 7 and 15)	\$ 3,275,968	\$ 4,389,964
Accrued liabilities (notes 7 and 14)	10,292,031	7,216,114
DSU liability (note 13)	753,791	549,664
Interest payable (notes 8 and 9)	483,059	403,933
Convertible loan payable (note 8)	1,600,000	1,600,000
Promissory notes payable (note 9)	-	836,592
Current portion of lease liability (note 10)	106,866	102,027
<b>Total current liabilities</b>	<b>16,511,715</b>	<b>15,098,294</b>
<b>Non-current liabilities</b>		
Lease liability (note 10)	87,431	112,712
Derivative warrant liability (notes 8, 9 and 11)	25,198,873	18,763,797
<b>Total liabilities</b>	<b>41,798,019</b>	<b>33,974,803</b>
<b>Shareholders' Deficiency</b>		
Preferred shares, \$0.000001 par value, 10,000,000 preferred shares authorized; No preferred shares issued and outstanding (note 11)	-	-
Common shares, \$0.000001 par value, 750,000,000 common shares authorized; 137,544,088 and 79,259,940 common shares issued and outstanding, respectively (note 11)	137	79
Additional paid-in-capital (note 11)	31,901,497	30,133,058
Shares to be issued	-	549,363
Deficit accumulated during the exploration stage	(64,192,278)	(63,924,419)
<b>Total shareholders' deficiency</b>	<b>(32,290,644)</b>	<b>(33,241,919)</b>
<b>Total shareholders' deficiency and liabilities</b>	<b>\$ 9,507,375</b>	<b>\$ 732,884</b>

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

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

		(As restated) (note 4)
	Three months ended September 30, 2020	Three months ended September 30, 2019
<b>Operating expenses</b>		
Operation and administration (notes 11, 12 and 13)	\$ 552,789	\$ 63,634
Exploration	5,210,621	1,109,215
Legal and accounting	159,268	28,572
Consulting (note 15)	183,238	84,640
<b>Income (loss) from operations</b>	<b>(7,053,072)</b>	<b>(1,286,061)</b>
<b>Other income or gain (expense or loss)</b>		
Change in derivative liability (notes 8, 9 and 11)	9,311,304	(1,813,257)
Accretion expense (notes 8 and 9)	(118,388)	(33,869)
Financing costs (note 9)	(360,000)	-
Loss on foreign exchange	(100,749)	673
Interest expense (notes 8 and 9)	(107,427)	(47,890)
Loss on private placement (note 11)	(940,290)	-
Share issuance costs (note 11)	(947,156)	-
Loss on debt settlement (note 11)	(899,237)	(1,056,296)
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (267,859)</b>	<b>\$ (4,236,700)</b>
<b>Net loss per common share - basic and fully diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.10)</b>
<b>Weighted average number of common shares - basic and fully diluted</b>	<b>106,276,928</b>	<b>43,825,952</b>

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

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

	Three months ended September 30, 2020	(As restated) (note 4) Three months ended September 30, 2019
<b>Operating activities</b>		
Net loss for the period	\$ (267,859)	\$ (4,236,700)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	482,303	-
Depreciation expense	47,464	25,044
Change in fair value of warrant liability	(9,311,304)	1,813,257
Accretion expense	118,388	33,869
Financing costs	360,000	-
Interest expense on lease liability (note 10)	5,284	7,787
Foreign exchange gain on re-translation of lease liability (note 10)	(15,588)	-
Loss on debt settlement (note 11)	899,237	1,056,296
Loss on private placement (note 11)	940,290	-
Changes in operating assets and liabilities:		
Accounts receivable	(10,836)	(2,624)
Prepaid expenses	(149,857)	14,098
Accounts payable	(943,902)	479,549
Accrued liabilities	3,167,269	229,827
Other liabilities	-	(9,114)
Interest payable	107,426	47,890
<b>Net cash used in operating activities</b>	<b>(4,571,685)</b>	<b>(540,821)</b>
<b>Investing activities</b>		
Purchase of machinery and equipment	(84,767)	-
Proceeds on disposal of equipment	-	-
<b>Net cash used in investing activities</b>	<b>(84,767)</b>	
<b>Financing activities</b>		
Proceeds from issuance of common stock	14,262,697	1,143,074
Lease payments	(10,138)	(30,893)
Proceeds from promissory note	840,000	-
Repayment of promissory note	(1,859,612)	-
<b>Net cash provided by financing activities</b>	<b>13,232,947</b>	<b>1,112,181</b>
<b>Net change in cash and cash equivalents</b>	<b>8,576,495</b>	<b>571,360</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>61,973</b>	<b>28,064</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 8,638,468</b>	<b>\$ 599,424</b>
<b>Supplemental disclosures</b>		
Non-cash activities:		
Common stock issued to settle accounts payable, accrued liabilities, interest payable and promissory notes	\$ 585,115	717,673

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

## Bunker Hill Mining Corp.

### Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in United States Dollars)

Unaudited

	Common stock Shares	Common stock Amount	Additional paid-in- capital	Shares to be issued	Deficit Accumulated during the Exploration Stage	Total
Balance, June 30, 2019 (As restated, note 4)	15,811,396	\$ 16	\$ 24,284,765	\$ 107,337	\$ (32,602,628)	\$ (8,210,510)
Shares and units issued at \$0.04 per share (i)	35,008,956	35	1,315,691	(107,337)	-	1,208,389
Units issued for debt settlement at \$0.09 per share	16,962,846	17	1,499,034	-	-	1,499,051
Shares issued for debt settlement at \$0.14 per share	2,033,998	2	274,916	-	-	274,918
Issue costs	-	-	(65,315)	-	-	(65,315)
Warrant valuation	-	-	(468,227)	-	-	(468,227)
Net loss for the period	-	-	-	-	(4,236,700)	(4,236,700)
Balance, September 30, 2019 (As restated, note 4)	69,817,196	\$ 70	\$ 26,840,864	\$ -	\$ (36,839,328)	\$ (9,998,394)
Balance, June 30, 2020	79,259,940	\$ 79	\$ 30,133,058	\$ 549,363	\$ (63,924,419)	\$ (33,241,919)
Stock-based compensation	-	-	278,176	-	-	278,176
Units issued at \$0.26 per unit (ii)	56,078,434	56	14,798,718	(549,363)	-	14,249,411
Units issued for debt settlement at \$0.67 per unit	2,205,714	2	1,484,350	-	-	1,484,352
Warrant valuation	-	-	(14,792,805)	-	-	(14,792,805)
Net loss for the period	-	-	-	-	(267,859)	(267,859)
Balance, September 30, 2020	137,544,088	\$ 137	\$ 31,901,497	\$ -	\$ (64,192,278)	\$ (32,290,644)

(i) Shares and units issued at C\$0.05, converted to US at \$0.04 (note 11)

(ii) Units issued at C\$0.35, converted to US at \$0.26 (note 11)

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

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# **Bunker Hill Mining Corp.**

## **Notes to Condensed Interim Consolidated Financial Statements**

**Three Months Ended September 30, 2020**

**(Expressed in United States Dollars)**

**Unaudited**

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### **1. Nature and continuance of operations and going concern**

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 401 Bay Street, Suite 2702, Toronto, Ontario, Canada, M5H 2Y4. As of the date of this Form 10-Q, the Company had two subsidiaries, Bunker Hill Operating LLC, a Colorado corporation that is currently dormant, and American Zinc Corp., an Idaho corporation created to facilitate the work being conducted at the Bunker Hill Mine in Idaho.

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

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis. Bunker Hill Mining Corp. (the "Company") has incurred losses since inception resulting in an accumulated deficit of \$64,192,278 and further losses are anticipated in the development of its business. The Company does not have sufficient working capital needed to meet its current fiscal obligations and commitments. In order to continue to meet its fiscal obligations in the current fiscal year and beyond, the Company must seek additional financing. This raises substantial doubt about the Company's ability to continue as a going concern. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Management is considering various financing alternatives including, but not limited to, raising capital through the capital markets and debt financing. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

The ability of the Company to emerge from the exploration stage is dependent upon, among other things, obtaining additional financing to continue operations, explore and develop the mineral properties and the discovery, development, and sale of reserves.

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.



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## Bunker Hill Mining Corp.

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended September 30, 2020

(Expressed in United States Dollars)

Unaudited

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#### 2. Basis of presentation

The accompanying unaudited condensed interim consolidated financial statements 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' equity 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 Amended Form 10-K/A, which contains the annual audited consolidated financial statements and notes thereto, together with the Management's Discussion and Analysis, for the year ended June 30, 2020. The interim results for the period ended September 30, 2020 are not necessarily indicative of the results for the full fiscal year. The unaudited interim condensed consolidated financial statements are presented in USD, which is the functional currency.

#### 3. New and recently adopted technical and accounting pronouncements

On July 1, 2020, the Company adopted Account Standards Update (ASU) 2016-03, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 changed the impairment model for most financial instruments. Previous guidance required the recognition of credit losses based on an incurred loss impairment methodology that reflects losses once the losses are probable. Under ASU 2016-13, the Company is required to use a current expected credit loss ("CECL") model that immediately recognizes an estimate of credit losses that are expected to occur over the life of the financial instruments that are in the scope of the update, including trade receivables. The CECL model uses a broader range of reasonable and supportable information in the development of credit loss estimates. The adoption of ASU 2016-13 did not have a material impact on the unaudited condensed interim consolidated financial statements, as the Company's accounts receivable only consisted of sales taxes receivable.

#### 4. Restatement of previously issued financial statements

In November 2020, it was determined that the Company has underaccrued for invoices issued by the United States Environmental Protection Agency ("EPA") for excess water treatment costs relating to years ended June 30, 2018, 2019 and 2020, interest payable on the outstanding EPA balance, and for a finder's fee related to the Company's February 2020 private placement, which resulted in an understatement of liabilities for 2019 and 2020, an overstatement of additional paid-in-capital for 2020, an understatement of opening and closing deficit for 2019 and 2020, and an understatement of exploration expenses and net losses for 2019 and 2020.

The following tables present the impact of the restatement adjustments on the Company's previously issued condensed interim consolidated financial statements for the three months ended September 30, 2019.

#### Impact to Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Three months ended September 30, 2019	As previously reported	Adjustment	As restated
Exploration	\$ 958,804	\$ 150,411	\$ 1,109,215
Loss from operations	\$ (1,135,650)	\$ (150,411)	\$ (1,286,061)
Loss before income tax and net loss and comprehensive loss for the period	\$ (4,086,289)	\$ (150,411)	\$ (4,236,700)
Net loss per common share - basic and fully diluted	\$ (0.09)	\$ (0.01)	\$ (0.10)

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**Bunker Hill Mining Corp.****Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended September 30, 2020****(Expressed in United States Dollars)****Unaudited**

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**4. Restatement of previously issued financial statements (continued)****Impact to Condensed Interim Consolidated Statements of Cash Flows**

<b>Three months September 30, 2019</b>	<b>As previously reported</b>	<b>Adjustment</b>	<b>As restated</b>
Net loss for the period	\$ (4,086,289)	\$ (150,411)	\$ (4,236,700)
Changes in operating assets and liabilities:			
Accounts payable	\$ 329,138	\$ 150,411	\$ 479,549

**Impact to Consolidated Statements of Changes in Shareholders' Deficiency**

	<b>As previously reported</b>	<b>Adjustment</b>	<b>As restated</b>
Balance, Total, June 30, 2019	\$ (6,959,283)	\$ (1,251,227)	\$ (8,210,510)
Net loss for the period ended September 30, 2019	\$ (4,086,289)	\$ (150,411)	\$ (4,236,700)
Deficit accumulated during the exploration stage, September 30, 2019	\$ (35,437,690)	\$ (1,401,638)	\$ (36,839,328)
Balance, Total, September 30, 2019	\$ (8,596,756)	\$ (1,401,638)	\$ (9,998,394)

**5. Equipment**

Equipment consists of the following:

	<b>September 30, 2020</b>	<b>June 30, 2020</b>
Equipment	\$ 313,345	\$ 228,578
	313,345	228,578
Less accumulated depreciation	(40,802)	(20,768)
Equipment, net	\$ 272,543	\$ 207,810

The total depreciation expense during the three months ended September 30, 2020 was \$20,034 (three months ended September 30, 2019 - recovery of \$1,550 due to write off of lease incentive liability).

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## Bunker Hill Mining Corp.

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended September 30, 2020

(Expressed in United States Dollars)

Unaudited

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#### 6. Right-of-use asset

Right-of-use asset consists of the following:

	September 30, 2020	June 30, 2020
Office lease	\$ 319,133	\$ 319,133
Less accumulated depreciation	(133,808)	(106,378)
Right-of-use asset, net	\$ 185,325	\$ 212,755

The total depreciation expense during the three months ended September 30, 2020 was \$27,430 (three months ended September 30, 2019 - \$26,595).

#### 7. Mining interests

##### Bunker Hill Mine Complex

On November 27, 2016, the Company entered into a non-binding letter of intent with Placer Mining Corp. (“Placer Mining”), which letter of intent was further amended on March 29, 2017, to acquire the Bunker Hill Mine in Idaho and its associated milling facility located in Kellogg, Idaho, in the Coeur d’Alene Basin (the “Letter of Intent”). Pursuant to the terms and conditions of the Letter of Intent, the acquisition, which was subject to due diligence, would include all mining claims, surface rights, fee parcels, mineral interests, existing infrastructure, machinery and buildings at the Kellogg Tunnel portal in Milo Gulch, or anywhere underground at the Bunker Hill Mine Complex. The acquisition would also include all current and historic data relating to the Bunker Hill Mine Complex, such as drill logs, reports, maps, and similar information located at the mine site or any other location.

During the year ended June 30, 2017, the Company made payments totaling \$300,000 as part of this Letter of Intent. These amounts were initially capitalized and subsequently written off during fiscal 2018 and were included in exploration expenses.

On August 28, 2017, the Company announced that it signed a definitive agreement (the “Agreement”) for the lease and option to purchase the Bunker Hill Mine assets (the “Bunker Assets”).

Under the terms of the Agreement, the Company was required to make a \$1 million bonus payment to Placer Mining no later than October 31, 2017, which payment was made, along with two additional \$500,000 bonus payments in December 2017. The 24-month lease commenced November 1, 2017. During the term of the lease, the Company was to \$100,000 monthly mining lease payments, paid quarterly.

The Company had an option to purchase the Bunker Assets at any time before the end of the lease and any extension for a purchase price of \$45 million with purchase payments to be made over a ten-year period to Placer Mining. Under terms of the agreement, there is a 3% net smelter return royalty (“NSR”) on sales during the Lease and a 1.5% NSR on the sales after the purchase option is exercised, which post-acquisition NSR is capped at \$60 million.

On October 2, 2018, the Company announced that it was in default of its Lease with Option to Purchase Agreement with Placer Mining. The default arose as a result of missed lease and operating cost payments, totaling \$400,000, which were due at the end of September and on October 1, 2018. As per the Agreement, the Company had 15 days, from the date notice of default was provided (September 28, 2018), to remediate the default by making the outstanding payment. While Management worked with urgency to resolve this matter, Management was ultimately unsuccessful in remedying the default, resulting in the lease being terminated.

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## **Bunker Hill Mining Corp.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**Three Months Ended September 30, 2020**

**(Expressed in United States Dollars)**

**Unaudited**

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#### **7. Mining interests (continued)**

##### **Bunker Hill Mine Complex (continued)**

On November 13, 2018, the Company announced that it was successful in renewing the lease, effectively with the original Agreement intact, except that monthly payments are reduced to \$60,000 per month for 12 months, with the accumulated reduction in payments of \$140,000 per month (“deferred payments”) being accrued. As at September 30, 2020, the Company has accrued for a total of \$1,787,300 (June 30, 2020 - \$1,847,300), which is included in accounts payable. These deferred payments will be waived should the Company choose to exercise its option.

On October 22, 2019, the Company signed a further amendment to the Agreement. The key terms of this amended agreement are as follows:

- The lease period has been extended for an additional period of nine months to August 1, 2020, with the option to extend for a further 6 months based upon payment of a 1 time \$60,000 extension fee (extended).
- The Company will continue to make monthly care and maintenance payments to Placer Mining of \$60,000 until exercising the option to purchase.
- The purchase price is set at \$11 million for 100% of the marketable assets of Bunker Assets to be paid with \$6,200,000 in cash, and \$4,800,000 in shares. The purchase price also includes the negotiable EPA costs of \$20 million. The amended lease provides for the elimination of all royalty payments that were to be paid to the mine owner. Upon signing the amended agreement, the Company paid a one-time, non-refundable cash payment of \$300,000 to the mine owner. This payment will be applied to the purchase price upon execution of the purchase option. In the event the Company elects not to exercise the purchase option, the payment shall be treated as an additional care and maintenance payment.

On August 12, 2020, the Company extended the lease with Placer Mining for further 18 months for a \$150,000 extension fee. This extension expires on August 1, 2022.

In addition to the payments to Placer Mining, and pursuant to an agreement with the United States Environmental Protection Agency (“EPA”) whereby for so long as Bunker leases, owns and/or occupies the Bunker Hill Mine, the Company will make payments to the EPA on behalf of the current owner in satisfaction of the EPA’s claim for cost recovery. These payments, if all are made, will total \$20 million. The agreement calls for payments starting with \$1 million 30 days after a fully ratified agreement was signed followed by a payment schedule detailed below:

<b>Date</b>	<b>Amount</b>	<b>Action</b>
Within 30 days of the effective date	\$1,000,000	Paid
November 1, 2018	\$2,000,000	Not paid
November 1, 2019	\$3,000,000	Not paid
November 1, 2020	\$3,000,000	Not paid
November 1, 2021	\$3,000,000	
November 1, 2022	\$3,000,000	
November 1, 2023	\$3,000,000	
November 1, 2024	\$2,000,000	

In addition to these cost recovery payments, the Company is to make semi-annual payments of \$480,000 on June 1 and December 1 of each year, to cover the EPA’s costs of operating and maintaining the water treatment facility that treats the water being discharged from the Bunker Hill Mine. Of these, the December 1, 2018, and June 1, 2019 semi-annual water treatment payments were not made, totaling \$960,000 outstanding as at September 30, 2020 (June 30, 2020 - \$960,000). The Company also has received invoices from the EPA for water treatment charges for the periods from December 2017 to October 2019. This was for a total of \$3,269,388, with \$2,229,408 outstanding as at September 30, 2020 (June 30, 2020 - \$2,229,408). The Company is having discussions with the EPA to review and, where appropriate, have the additional water treatment charges amended. The unpaid EPA balance is subject to interest at the rate specified for interest on investments of the EPA Hazardous Substance Superfund. As at September 30, 2020, the interest accrued on the unpaid EPA balance is \$120,477 (June 30, 2020 - \$89,180).

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## **Bunker Hill Mining Corp.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**Three Months Ended September 30, 2020**

**(Expressed in United States Dollars)**

**Unaudited**

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#### **7. Mining interests (continued)**

##### **Bunker Hill Mine Complex (continued)**

For 2020, the Company has accrued an estimate for additional water treatment charges based on 2018 and 2019 invoices received from the EPA, for a total of an additional semi-annual accrual of \$799,998. The Company has included all unpaid and accrued EPA payments and accrued interest in accounts payable and accrued liabilities amounting to \$11,096,542 (June 30, 2020 - \$7,905,235).

#### **8. Convertible loan payable**

On June 13, 2018, the Company entered into a loan and warrant agreement with Hummingbird Resources PLC (“Hummingbird”), an arm’s length investor, for an unsecured convertible loan in the aggregate sum of \$1,500,000, bearing interest at 10% per annum, maturing in one year. Contemporaneously, the Company agreed to issue 229,464 share purchase warrants, entitling the lender to acquire 229,464 common shares of the Company, at a price of C\$8.50 per share, for two years. Under the terms of the loan agreement, the lender may, at any time prior to maturity, convert any or all of the principal amount of the loan and accrued interest thereon, into common shares of the Company at a price per share equal to C\$8.50. In the event that a notice of conversion would result in the lender holding 10% or more of the Company’s issued and outstanding shares, then, in the alternative, and under certain circumstances, the Company would be required to pay cash to the lender in an amount equal C\$8.50 multiplied by the number of shares intended to be issued upon conversion. Further, in the event that the lender holds more than 5% of the issued and outstanding shares of the Company subsequent to the exercise of any of its convertible securities held under this placement, it shall have the right to appoint one director to the board of the Company. Lastly, among other things, the loan agreement further provides that for as long as any amount is outstanding under the convertible loan, the investor retains a right of first refusal on any Company financing or joint venture/strategic partnership/disposal of assets.

In August 2018, the amount of the Hummingbird convertible loan payable was increased to \$2 million from its original \$1.5 million loan, net of \$45,824 of debt issue costs. An additional 116,714 warrants with each warrant exercisable at C\$4.50 were issued. Under the terms of the Amended and Restated Loan Agreement, Hummingbird may, at any time prior to maturity, convert any or all of the principal amount of the loan and accrued interest thereon, into common shares of Bunker as follows: (i) \$1,500,000, being the original principal amount (“Principal Amount”), the Principal Amount may be converted at a price per share equal to C\$8.50; (ii) 229,464 common shares may be acquired upon exercise of warrants at a price of C\$8.50 per warrant for a period of two years from the date of issuance; (iii) \$500,000, being the additional principal amount (“Additional Amount”), may be converted at a price per share equal to C\$4.50; and (iv) 116,714 common shares may be acquired upon exercise of warrants at a price of C\$4.50 per warrant for a period of two years from the date issuance. In the event that Hummingbird would acquire common shares in excess of 9.999% through the conversion of the Principal Amount or Additional Amount, including interest accruing thereon, or on exercise of the warrants as disclosed herein, the Company shall pay to Hummingbird a cash amount equal to the common shares exercised in excess of 9.999%, multiplied by the conversion price.

During the year ended June 30, 2019, Hummingbird agreed to extend the scheduled maturity date of the loan to June 30, 2020. This was accounted for as a loan extinguishment which resulted in the recording of a net loss on loan extinguishment of \$1,195,880.

In June 2019, the Company settled \$100,000 of the Additional Amount by issuing 2,660,000 shares, which resulted in the recording of a net loss on loan extinguishment of \$8,193.

In February 2020, the Company settled \$300,000 of the Additional Amount by issuing 696,428 shares, which resulted in the recording of a net loss on loan extinguishment of \$9,407.

In June 2020, Hummingbird agreed to extend the scheduled maturity date of the loan to July 31, 2020. Subsequent to September 30, 2020, the Company settled the full amount of the outstanding loan by issuing 5,572,980 shares.

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## Bunker Hill Mining Corp.

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended September 30, 2020

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#### 8. Convertible loan payable (continued)

The Company has accounted for the conversion features and warrants in accordance with ASC Topic 815. The conversion features and warrants are considered derivative financial liabilities as they are convertible into common shares at a conversion price denominated in a currency other than the Company's functional currency of the US dollar. The estimated fair value of the conversion features and warrants was determined on the date of issuance and marks to market at each financial reporting period. As at September 30, 2020, the fair values of the conversion feature and warrants were \$nil (June 30, 2020 - \$nil).

Accretion expense for the three months ended September 30, 2020 was \$nil (three months ended September 30, 2019 - \$33,869) based on effective interest rate of 16% after the loan extension.

Interest expense for the three months ended September 30, 2020 was \$101,827 (three months ended September 30, 2019 - \$47,890). As at September 30, 2020, the Company has an outstanding interest payable of \$483,059 (June 30, 2020 - \$381,233).

	<u>Amount</u>
Balance, June 30, 2019	\$ 1,744,327
Accretion expense	146,266
Loss on loan extinguishment	9,407
Partial extinguishment	<u>(300,000)</u>
Balance, June 30, 2020 and September 30, 2020	\$ 1,600,000

#### 9. Promissory notes payable

(i) On November 13, 2019, the Company issued a promissory note in the amount of \$300,000. The note is unsecured, bears interest of 1% monthly, and is due on demand after 90 days from issuance. In consideration for the loan, the Company issued 400,000 common share purchase warrants to the lender. Each whole warrant entitles the lender to acquire one common share of the Company at a price of C\$0.80 per share for a period of two years.

On April 24, 2020, the Company extended the maturity date of the promissory note payable to August 1, 2020. In consideration, the Company issued 400,000 common share purchase warrants to the lender at an exercise price of C\$0.50. The warrants expire on November 13, 2021. This was accounted for as a loan modification.

During the three months ended September 30, 2020, the Company repaid \$110,658 of the promissory note and settled the remaining balance of \$218,281 (C\$288,000), which included interest payable of \$28,939, in full by issuing 822,857 August 2020 Units (as defined in note 11), recognizing a loss on debt settlement of \$335,467.

The Company has accounted for the warrants in accordance with ASC Topic 815. The warrants are considered derivative financial liabilities as they are convertible into common shares at a conversion price denominated in a currency other than the Company's functional currency of the US dollar. The estimated fair value of the warrants was determined on the date of issuance and marks to market at each financial reporting period.

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**Bunker Hill Mining Corp.****Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended September 30, 2020****(Expressed in United States Dollars)****Unaudited**

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The fair value of the warrants were estimated using the Binomial model to determine the fair value of the derivative warrant liabilities using the following assumptions:

<b>November 2019 issuance</b>	<b>June 30, 2020</b>	<b>September 30, 2020</b>
Expected life	501 days	409 days
Volatility	100%	100%
Risk free interest rate	0.94%	0.75%
Dividend yield	0%	0%
Share price	\$0.73	\$0.43
Fair value	\$150,161	\$54,367
Change in derivative liability		\$95,794

  

<b>April 2020 issuance</b>	<b>June 30, 2020</b>	<b>September 30, 2020</b>
Expected life	501 days	409 days
Volatility	100%	100%
Risk free interest rate	0.30%	0.28%
Dividend yield	0%	0%
Share price	\$0.73	\$0.43
Fair value	\$186,410	\$86,603
Change in derivative liability		\$99,807

Accretion expense for the three months ended September 30, 2020 was \$51,522 (three months ended September 30, 2019 - \$nil) based on effective interest rate of 11% after the loan extension.

Interest expense for the three months ended September 30, 2020 was \$5,600 (three months ended September 30, 2019 - \$nil). As at September 30, 2020, the Company has an outstanding interest payable of \$nil (June 30, 2020 - \$22,700).

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**Bunker Hill Mining Corp.****Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended September 30, 2020****(Expressed in United States Dollars)****Unaudited**

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**9. Promissory notes payable (continued)**

(i) (continued)

	<b>Amount</b>
Balance, June 30, 2019	\$ -
Proceeds on issuance	300,000
Warrant valuation	(206,523)
Accretion expense	155,001
Balance, June 30, 2020	\$ 248,478
Accretion expense	51,522
Debt settlement	(189,342)
Repayment	(110,658)
Balance, September 30, 2020	\$ -

(ii) On May 12, 2020, the Company issued a promissory note in the amount of \$362,650 (C\$500,000), net of \$89,190 of debt issue costs. The note bore interest and was due on demand after 90 days after the issue date. This promissory note was repaid during the three months ended September 30, 2020. Accretion expense for the three months ended September 30, 2020 was \$47,737 (three months ended September 30, 2019 - \$nil) based on effective interest rate of 7%.

(iii) On May 12, 2020, the Company issued a promissory note in the amount of \$141,704 (C\$200,000), net of \$35,676 of debt issue costs. The note bore no interest and was due on demand after 90 days after the issue date. During the three months ended September 30, 2020, the Company settled the promissory note in full by issuing 714,285 shares (see note 11). Accretion expense for the three months ended September 30, 2020 was \$19,129 (three months ended September 30, 2019 - \$nil) based on effective interest rate of 8%.

(iv) On June 30, 2020, the Company issued a promissory note in the amount of \$75,000, net of \$15,000 of debt issue costs. The note bore no interest and was due on demand. This promissory note was repaid in full during the three months ended September 30, 2020. Financing cost for the three months ended September 30, 2020 was \$nil (three months ended September 30, 2019 - \$nil).

(v) On June 30, 2020, the Company issued a promissory note in the amount of \$75,000 to a director of the Company. The note bore no interest and was due on demand. This promissory note was repaid in full during the three months ended September 30, 2020. Financing cost for the three months ended September 30, 2020 was \$nil (three months ended September 30, 2019 - \$nil).

(vi) On July 13, 2020, the Company issued a promissory note in the amount of \$1,200,000, net of \$360,000 debt issue costs. The note bears no interest and is due on August 31, 2020. This promissory note was repaid in full during the three months ended September 30, 2020. Financing cost for the three months ended September 30, 2020 was \$360,000 (three months ended September 30, 2019 - \$nil).



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## Bunker Hill Mining Corp.

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended September 30, 2020

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#### 10. Lease liability

The Company has an operating lease for office space that expires in 2022. Below is a summary of the Company's lease liability as of September 30, 2020:

	Office lease
Balance, June 30, 2019	\$ -
Addition	319,133
Interest expense	27,062
Lease payments	(120,690)
Foreign exchange gain	(10,766)
Balance, June 30, 2020	214,739
Addition	-
Interest expense	5,284
Lease payments	(10,138)
Foreign exchange gain	(15,588)
Balance, September 30, 2020	194,297
Less: current portion	(106,866)
Long-term lease liability	\$ 87,431

In addition to the minimum monthly lease payments of C\$13,504, the Company is required to make additional payments amounting to C\$12,505 for certain variable costs. The schedule below represents the Company's obligations under the lease agreement in Canadian dollars.

	Less than 1 year	1-2 years	2-3 years	Total
Base rent	\$ 162,048	\$ 121,536	\$ -	\$ 283,584
Additional rent	150,060	112,545	-	262,605
	\$ 312,108	\$ 234,081	\$ -	\$ 546,189

The monthly rental expenses are offset by rental income obtained through a series of subleases held by the Company.

#### 11. Capital stock, warrants and stock options

##### Authorized

The total authorized capital is as follows:

- 750,000,000 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

On May 23, 2019, the Company affected a consolidation of its issued and outstanding share capital on the basis of one (1) post-consolidation share for each ten (10) pre-consolidation common shares, which has been retrospectively applied in these consolidated financial statements.

On July 19, 2019, the Company amended its articles of incorporation to change the total authorized capital and the par values, which have been retrospectively applied in these consolidated financial statements.

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## **Bunker Hill Mining Corp.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**Three Months Ended September 30, 2020**

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#### **11. Capital stock, warrants and stock options (continued)**

##### **Issued and outstanding**

On August 1, 2019, the Company closed the second and final tranche ("Tranche Two") of the non-brokered private placement, issuing 6,042,954 units ("August 2019 Units") at C\$0.05 per August 2019 Unit for gross proceeds of C\$302,148 (\$228,202) and incurring financing costs of \$36,468. Each August 2019 Unit consists of one common share of the Company and one common share purchase warrant, which entitles the holder to acquire one common share at a price of C\$0.25 per common share for a period of two years. The Company also issued 16,962,846 August 2019 Units to settle \$640,556 of debt at a deemed price of C\$0.09 based on the fair value of the shares issued. As a result, the Company recorded resulting in loss on debt settlement of \$858,495.

On August 23, 2019, the Company closed the first tranche (the "First Tranche") of the non-brokered private placement, issuing 27,966,002 common shares of the Company at C\$0.05 per share for gross proceeds of C\$1,398,300 (\$1,049,974) and incurring financing costs of \$28,847. The Company also issued 2,033,998 common shares to settle \$77,117 of debt at a deemed price of C\$0.18 based on the fair value of the shares issued. As a result, the Company recorded a loss on debt settlement of \$197,800.

On August 30, 2019, the Company closed the second and final tranche (the "Second Tranche") of the non-brokered private placement, issuing 1,000,000 common shares at C\$0.05 per share for gross proceeds of C\$50,000 (\$37,550).

On February 26, 2020, the Company closed a non-brokered private placement, issuing 2,991,073 common shares of the Company at C\$0.56 per share for gross proceeds of C\$1,675,000 (\$1,256,854) and incurring financing costs of \$95,763 and 239,284 broker warrants. Each broker warrant entitles the holder to acquire one common share at a price of C\$0.70 per common share for a period of two years. The Company also issued 696,428 common shares for \$300,000 which was applied to reduce the principal amount owing under the convertible loan facility (see note 7).

On May 12, 2020, the Company closed a non-brokered private placement, issuing 107,142 common shares of the Company at C\$0.56 per share for gross proceeds of C\$60,000 (\$44,671).

During the year ended June 30, 2020, the Company issued 1,403,200 June 2019 Units and 1,912,000 August 2019 Units at a deemed price of C\$0.05 as finder's fees with a total value of C\$165,760 (\$125,180) to a shareholder of the Company.

On August 14, 2020, the Company closed the first tranche of the brokered private placement of units of the Company ("August 2020 Offering"), issuing 35,212,142 units of the Company ("August 2020 Units") at C\$0.35 per August 2020 Unit for gross proceeds of \$9,301,321 (C\$12,324,250). Each August 2020 Unit consisted of one common share of the Company and one common share purchase warrant of the Company ("August 2020 Warrant"), which entitles the holder to acquire a common share of the Company at C\$0.50 per common share of the Company until August 31, 2023. In connection with the first tranche, the Company incurred financing costs of \$709,016 (C\$829,719) and issued 2,112,729 compensation options ("August 2020 Compensation Options"). Each compensation option is exercisable into one August 2020 Unit at an exercise price of C\$0.35 until August 31, 2023.

On August 25, 2020, the Company closed the second tranche of the August 2020 Offering, issuing 20,866,292 August 2020 Units at C\$0.35 per August 2020 Unit for gross proceeds of \$5,497,453 (C\$7,303,202). In connection with the second tranche, the Company incurred financing costs of \$238,140 (C\$314,512) and issued 1,127,178 August 2020 Compensation Options.

In the August 2020 Offering, the fair value of warrants, which are treated as liability and fair value accounted for, were greater than gross proceeds. As a result, a loss of \$940,290 has been recognized in the unaudited condensed interim consolidated statements of loss and the share issue costs were also expensed.

The Company also issued 2,205,714 August 2020 Units to settle \$170,093 of accounts payable, \$55,676 of accrued liabilities, \$28,300 of interest payable, and \$331,046 of promissory notes payable at a deemed price of \$0.67 based on the fair value of the units issued. As a result, the Company recorded a loss on debt settlement of \$899,237.

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**Bunker Hill Mining Corp.****Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended September 30, 2020****(Expressed in United States Dollars)****Unaudited**

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**11. Capital stock, warrants and stock options (continued)****Issued and outstanding (continued)**

For each financing, the Company has accounted for the warrants in accordance with ASC Topic 815. The warrants are considered derivative instruments as they were issued in a currency other than the Company's functional currency of the US dollar. The estimated fair value of warrants accounted for as liabilities was determined on the date of issue and marks to market at each financial reporting period. The change in fair value of the warrant is recorded in the unaudited condensed interim consolidated statement of operations and comprehensive loss 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 warrants issued during the period were estimated using the Binomial model to determine the fair value using the following assumptions on the day of issuance and as at September 30, 2020:

<b>August 2020 issuance</b>	<b>August 14, 2020</b>	<b>September 30, 2020</b>
Expected life	1112 days	1065 days
Volatility	100%	100%
Risk free interest rate	1.53%	1.48%
Dividend yield	0%	0%
Share price	\$0.42	\$0.43
Fair value	\$15,746,380	\$16,097,069
Change in derivative liability		\$(350,689)

The warrant liabilities as a result of the December 2017, August 2018, November 2018, June 2019 and August 2019 private placements were revalued as at September 30, 2020 and June 30, 2020 using the Binomial model and the following assumptions:

<b>December 2017 issuance</b>	<b>June 30, 2020</b>	<b>September 30, 2020</b>
Expected life	166 days	74 days
Volatility	100%	100%
Risk free interest rate	0.69%	1.48%
Dividend yield	0%	0%
Share price	\$0.73	\$0.43
Fair value	\$0	\$0
Change in derivative liability		\$0

<b>August 2018 issuance</b>	<b>June 30, 2020</b>	<b>September 30, 2020</b>
Expected life	405 days	313 days
Volatility	100%	100%
Risk free interest rate	1.20%	1.49%
Dividend yield	0%	0%
Share price	\$0.73	\$0.43
Fair value	\$6,132	\$0
Change in derivative liability		\$6,132

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**Bunker Hill Mining Corp.****Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended September 30, 2020****(Expressed in United States Dollars)****Unaudited**

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**11. Capital stock, warrants and stock options (continued)****Issued and outstanding (continued)**

<b>November 2018 issuance</b>	<b>June 30, 2020</b>	<b>September 30, 2020</b>
Expected life	516 days	424 days
Volatility	100%	100%
Risk free interest rate	1.34%	1.19%
Dividend yield	0%	0%
Share price	\$0.73	\$0.43
Fair value	\$206,253	\$68,901
Change in derivative liability		\$137,352

<b>June 2019 issuance</b>	<b>June 30, 2020</b>	<b>September 30, 2020</b>
Expected life	363 days	271 days
Volatility	100%	100%
Risk free interest rate	1.15%	0.97%
Dividend yield	0%	0%
Share price	\$0.73	\$0.43
Fair value	\$6,582,920	\$3,146,863
Change in derivative liability		\$3,436,057

<b>August 2019 issuance</b>	<b>June 30, 2020</b>	<b>September 30, 2020</b>
Expected life	397 days	305 days
Volatility	100%	100%
Risk free interest rate	1.11%	0.93%
Dividend yield	0%	0%
Share price	\$0.73	\$0.43
Fair value	\$11,631,921	\$5,574,662
Change in derivative liability		\$6,057,259

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**Bunker Hill Mining Corp.****Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended September 30, 2020****(Expressed in United States Dollars)****Unaudited**

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**11. Capital stock, warrants and stock options (continued)****Warrants**

	<b>Number of warrants</b>	<b>Weighted average exercise price (C\$)</b>	<b>Weighted average grant date value (\$)</b>
Balance, June 30, 2019	13,046,484	0.88	\$ 0.27
Issued	23,005,800	0.25	0.02
Balance, September 30, 2019	36,052,284	0.48	\$ 0.11
Balance, June 30, 2020	37,844,404	0.43	\$ 0.09
Issued	58,284,148	0.50	0.11
Expired	(116,714)	4.50	1.90
Balance, September 30, 2020	96,011,838	0.47	\$ 0.10

<b>Expiry date</b>	<b>Exercise price (C\$)</b>	<b>Number of warrants</b>	<b>Number of warrants exercisable</b>
December 5, 2020	20.00	227,032	227,032
December 13, 2020	20.00	7,000	7,000
August 9, 2021	4.50	160,408	160,408
November 28, 2021	1.00	645,866	645,866
June 27, 2021	0.25	11,660,000	11,660,000
August 1, 2021	0.25	20,672,900	20,672,900
November 13, 2021	0.80	400,000	400,000
November 13, 2021	0.50	400,000	400,000
August 1, 2021	0.25	763,200	763,200
August 26, 2021	0.05	1,912,000	1,912,000
February 7, 2022	0.25	640,000	640,000
February 26, 2022	0.70	239,284	239,284
August 31, 2023	0.50	58,284,148	58,284,148
		96,011,838	96,011,838

## Bunker Hill Mining Corp.

Notes to Condensed Interim Consolidated Financial Statements  
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### 11. Capital stock, warrants and stock options (continued)

#### Broker options

	Number of broker options	Weighted average exercise price (C\$)
Balance, June 30, 2019, September 30, 2019 and June 30, 2020	-	\$ -
Issued (i)	3,239,907	0.35
Balance, September 30, 2020	3,239,907	\$ 0.35

(i) The grant date fair value of the broker options were estimated at \$937,748 using the Black-Scholes valuation model with the following underlying assumptions:

Risk free interest rate	Dividend yield	Volatility	Stock price	Weighted average life
0.31%	0%	100%	C\$0.54-C\$0.56	3 years

Expiry date	Exercise price (C\$)	Number of broker options	Fair value (\$)
August 31, 2023 (i)	0.50	3,239,907	937,748

(i) Exercisable into one August 2020 Unit

#### Stock options

The following table summarizes the stock option activity during the periods ended September 30, 2020:

	Number of stock options	Weighted average exercise price (C\$)
Balance, June 30, 2019 and September 30, 2019	287,100	\$ 7.50
Balance, June 30, 2020	7,580,159	0.62
Granted (i)	200,000	0.60
Balance, September 30, 2020	7,780,159	\$ 0.62

(i) On October 24, 2019, 1,575,000 stock options were issued to directors and officers of the Company. These options have a 5-year life and are exercisable at C\$0.60 per share. The grant date fair value of the stock options were estimated at \$435,069. The vesting of these options resulted in stock-based compensation of \$45,173 for the three months ended September 30, 2020 (three months ended September 30, 2019 - \$nil), which is included in operation and administration expenses on the consolidated statements of loss and comprehensive loss.

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**Bunker Hill Mining Corp.****Notes to Condensed Interim Consolidated Financial Statements****Three Months Ended September 30, 2020****(Expressed in United States Dollars)****Unaudited**

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**11. Capital stock, warrants and stock options (continued)****Stock options (continued)**

(ii) On April 20, 2020, 5,957,659 stock options were issued to certain directors of the Company. Each stock option entitles the holder to acquire one common share of the Company at an exercise price of C\$0.55. The stock options vest in one fourth increments upon each anniversary of the grant date and expire in 5 years. The grant date fair value of the stock options were estimated at \$1,536,764. The vesting of these options results in stock-based compensation of \$201,728 (three months ended September 30, 2019 - \$nil), which is included in operation and administration expenses on the consolidated statements of loss and comprehensive loss.

(iii) On September 30, 2020, 200,000 stock options were issued to a consultant. Each stock option entitles the holder to acquire one common share of the Company at an exercise price of C\$0.60. The stock options vest 50% at 6 months and 50% at 12 months from the grant date and expire in 3 years. The grant date fair value of the options were estimated at \$52,909. The vesting of these options resulted in stock-based compensation of \$218 for the three months ended September 30, 2020 (three months ended September 30, 2019 - \$nil), which is included in operation and administration expenses on the consolidated statements of loss and comprehensive loss.

The fair value of these stock options was determined on the date of grant using the Black-Scholes valuation model, and using the following underlying assumptions:

	Risk free interest rate	Dividend yield	Volatility	Stock price	Weighted average life
(i)	1.54%	0%	100%	C\$0.50	5 years
(ii)	0.44%	0%	100%	C\$0.50	5 years
(iii)	0.25%	0%	100%	C\$0.58	3 years

The following table reflects the actual stock options issued and outstanding as of September 30, 2020:

Exercise price (C\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Grant date fair value (\$)
10.00	1.59	40,000	40,000	217,274
16.50	1.59	7,500	7,500	40,739
0.60	4.07	1,575,000	675,000	435,069
0.55	4.56	5,957,659	-	1,536,764
0.60	3.00	200,000	-	52,909
		7,780,159	722,500	2,282,755

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## Bunker Hill Mining Corp.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 12. 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 periods ended September 30, 2020:

	Number of shares		Weighted average grant date fair value per share (C\$)
Unvested as at June 30, 2019 and September 30, 2019	-	\$	-
Unvested as at June 30, 2020 and September 30, 2020	600,000	\$	0.40

(i) On April 20, 2020, the Company granted 400,000 RSUs to a certain officer of the Company. The RSUs vest in one fourth increments upon each anniversary of the grant date and expire in 5 years. The vesting of these RSUs results in stock-based compensation of \$20,770 (three months ended September 30, 2019 - \$nil), which is included in operation and administration expenses on the consolidated statements of loss and comprehensive loss.

(ii) On April 20, 2020, the Company granted 200,000 RSUs to a certain director of the Company. The RSUs vest in one fourth increments upon each anniversary of the grant date and expire in 5 years. The vesting of these RSUs results in stock-based compensation of \$10,287 (three months ended September 30, 2019 - \$nil), which is included in operation and administration expenses on the consolidated statements of loss and comprehensive loss.

#### 13. 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 periods ended September 30, 2020:

	Number of shares		Weighted average grant date fair value per share (C\$)
Unvested as at June 30, 2019 and September 30, 2019	-	\$	-
Unvested as at June 30, 2020 and September 30, 2020	7,500,000	\$	0.65

(i) On April 21, 2020, the Company granted 7,500,000 DSUs. The DSUs vest in one fourth increments upon each anniversary of the grant date and expire in 5 years. During the three months ended September 30, 2020, the Company recognized \$204,127 stock-based compensation related to the DSUs (three months ended September 30, 2019 - \$nil), which is included in operation and administration expenses on the consolidated statements of loss and comprehensive loss.



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## **Bunker Hill Mining Corp.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**Three Months Ended September 30, 2020**

**(Expressed in United States Dollars)**

**Unaudited**

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#### **14. Commitments and contingencies**

As stipulated by the agreements with Placer Mining as described in note 6, the Company is required to make monthly payment of \$60,000 for care and maintenance and a lease extension fee of \$60,000. Including the previously accrued payments, a total of \$1,787,300 is payable until the Company decides to acquire the mine at which time these payments will be waived.

As stipulated in the agreement with the EPA and as described in note 7, the company is required to make two payments to the EPA, one for cost-recovery, and the other for water treatment. As at September 30, 2020, \$11,096,542 payable to the EPA has been included in accounts payable and accrued liabilities. The Company is now engaged with the EPA to amend and defer these payments.

The Company has entered into a lease agreement which expires in May 2022. Monthly rental expenses are approximately C\$26,000 and are offset by rental income obtained through a series of subleases held by the Company. See note 10.

#### **15. Related party transactions**

(i) During the three months ended September 30, 2020, John Ryan (Director and former CEO) billed \$9,000 (three months ended September 30, 2019 - \$15,500) for consulting services to the Company.

(ii) During the three months ended September 30, 2020, Wayne Parsons (Director and CFO) billed \$40,000 (three months ended September 30, 2019 - \$42,618) for consulting services to the Company.

(iii) During the three months ended September 30, 2020, Hugh Aird (Director) billed \$18,223 (three months ended September 30, 2019 - \$9,774) for consulting services to the Company.

(iv) During the three months ended September 30, 2020, Richard Williams (Director and Executive Chairman) billed \$45,000 (three months ended September 30, 2019 - \$nil) for consulting services to the Company. At September 30, 2020, \$109,236 is owed to Mr. Williams (June 30, 2020 - \$121,161) with all amounts included in accounts payable and accrued liabilities

During the three months ended September 30, 2020, the Company issued 214,286 August 2020 Units at a deemed price of \$0.67 to settle \$56,925 of debt owed to Mr. Williams. See note 9(v)

(v) During the three months ended September 30, 2020 Sam Ash (President and CEO) billed \$54,583 (three months ended September 30, 2019 - \$nil) for consulting services to the Company. At September 30, 2020, \$nil is owed to Mr. Ash (June 30, 2020 - 60,000 with all amounts included in accounts payable and accrued liabilities

During the three months ended September 30, 2020, the Company issued 77,143 August 2020 Units at a deemed price of \$0.67 to settle \$20,000 of debt owed to Mr. Ash.

(vi) During the three months ended September 30, 2020, the Company issued 300,000 August 2020 Units at a deemed price of \$0.67 to settle \$77,696 (C\$105,000) of debt owed to a shareholder of the Company.

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## **Bunker Hill Mining Corp.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**Three Months Ended September 30, 2020**

**(Expressed in United States Dollars)**

**Unaudited**

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#### **16. Financial instruments**

##### **Fair values**

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable excluding HST, accounts payable, accrued liabilities, DSU liability, interest payable, convertible loan payable, promissory notes payable and lease liability, all of which qualify as financial instruments, are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization and current market rate of interest. The Company measured its DSU liability at fair value on recurring basis using level 1 inputs and derivative warrant liabilities at fair value on recurring basis using level 3 inputs. There were no transfers of financial instruments between levels 1, 2, and 3 during the years ended September 30, 2020 and 2020.

##### **Foreign currency risk**

Foreign currency risk is the risk that changes the rates of exchange on foreign currencies will impact the financial position of cash flows of the Company. The Company is exposed to foreign currency risks in relation to certain activities that are to be settled in Canadian dollar. Management monitors its foreign currency exposure regularly to minimize the risk of an adverse impact on its cash flows.

##### **Concentration of credit risk**

Concentration of credit risk is the risk of loss in the event that certain counterparties are unable to fulfill its obligations to the Company. The Company's financial instruments that are exposed to concentrations of credit risk primarily consist of its cash and cash equivalents. The Company places its cash and cash equivalents with financial institutions of high credit worthiness. At times, its cash equivalents with a particular financial institution may exceed any applicable government insurance limits. The Company's management also routinely assesses the financial strength and credit worthiness of any parties to which it extends funds and as such, it believes that any associated credit risk exposures are limited.

##### **Liquidity risk**

Liquidity risk is the risk that the Company's consolidated cash flows from operations will not be sufficient for the Company to continue operating and discharge its liabilities. The Company is exposed to liquidity risk as its continued operation is dependent upon its ability to obtain financing, either in the form of debt or equity, or achieving profitable operations in order to satisfy its liabilities as they come due.

#### **17. Subsequent events**

On October 9, 2020, the Company settled the full balance of the convertible loan payable to Hummingbird (see note 8) by issuing 5,572,980 shares of the Company.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **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 OUR 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 ON FORM 10-Q/A AND IN THE COMPANY'S OTHER FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION. NO STATEMENTS CONTAINED IN THE FOLLOWING DISCUSSION SHOULD BE CONSTRUED AS A GUARANTEE OR ASSURANCE OF FUTURE PERFORMANCE OR FUTURE RESULTS.

### **DESCRIPTION OF BUSINESS**

#### **The Corporation**

Bunker Hill Mining Corp. (Formerly Liberty Silver Corp.) (the "Company" or the "Corporation") 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. 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.

#### **Current Operations**

##### **Overview**

The Company was incorporated for the purpose of engaging in mineral exploration and development activities. On August 28, 2017, the Company announced that it signed a definitive agreement (the "Agreement") for the lease and option to purchase of the Bunker Hill Mine (the "Mine") in Idaho. The "Bunker Hill Lease with Option to Purchase" is between the Company and Placer Mining Corporation ("Placer Mining"), the current owner of the Mine.

On October 22, 2019, the lease was amended and continues until August 1, 2020. The lease period can be extended by a further 6 months at the Company's discretion. Under the revised terms of its agreement, during the term of the lease, the Company must make \$60,000 monthly mining lease payments and previously accrued outstanding amounts. However, if and when the Company exercises its purchase of the mine (as described below), these deferred payments are waived by the mine owner.

Under the revised term, the Company has an option to purchase 100% of the marketable assets of the Bunker Hill Mine for a purchase price of \$11 million at any time before the end of the lease. The purchase price also includes the negotiable United States Environmental Protection Agency ("EPA") costs of \$20 million. An additional term of the amended lease provides for the elimination of all royalty payments that were to be paid to the mine owner.

Upon signing the amended agreement, the Company paid a one-time, non-refundable cash payment of \$300,000 to the mine owner. This payment will be applied to the purchase price upon execution of the purchase option. In the event the Company elects not to exercise the purchase option, the payment shall be treated as an additional care and maintenance payment.

In addition to the payments to Placer Mining, pursuant to an agreement with the EPA whereby for so long as Bunker leases, owns and/or occupies the Bunker Hill Mine, the Company will make payments to the EPA on behalf of the current owner in satisfaction of the EPA's claim for cost recovery. These payments, if all are made, will total \$20 million. The agreement calls for payments starting with \$1 million 30 days after a fully ratified agreement was signed (which payment was made) followed by \$2 million on November 1, 2018 and \$3 million on each of the next 5 anniversaries with a final \$2 million payment on November 1, 2024. In addition to these payments, the company is to make semi-annual payments of \$480,000 on June 1 and December 1 of each year, to cover the EPA's costs of maintaining the water treatment facility. The November 1, 2018, December 1, 2018, June 1, 2019 and November 1, 2019 payments were not made, and the Company is having discussions with the EPA to amend and defer payments.

The Company also has received invoices from the EPA for water treatment charges for the periods from December 2017 to October 2019. This was for a total of \$3,269,388, with \$2,229,408 outstanding as at September 30, 2020. The Company is having discussions with the EPA to review and, where appropriate, have the additional water treatment charges amended. The unpaid EPA balance is subject to interest at the rate specified for interest on investments of the EPA Hazardous Substance Superfund.

Management believes this amended lease and option will provide the Company time to complete exploratory drilling, produce a mine plan and raise the money needed to move forward. Management continues to push forward and advance the timeline to realizing shareholder value.

The Bunker Hill Mine remains the largest single producing mine by tonnage in the Coeur d'Alene lead, zinc and silver mining district in Northern Idaho. Historically, the mine produced over 35M tonnes of ore grading on average 8.76% lead, 3.67% zinc, and 155 g/t silver (Bunker Hill Mines Annual Report 1980). The Bunker Hill Mine is the Company's only focus, with a view to raising capital to rehabilitate the mine and put it back into production.

The Company believes that there are numerous exploration targets of opportunity left in the mine from surface, in parallel to known and mined mineralisation and at depth, below existing workings. In addition to the Zinc-rich zones, these also include high-grade Lead-Silver veins which are currently the primary focus of the company's exploration programs.

#### Products

The Bunker Hill Mine is a Lead-Silver-Zinc Mine. When back in production, the Company intends to mill mineralized material on-site or at a local third-party mill to produce both Lead-Silver and Zinc concentrates which will then be shipped to third party smelters for processing.

The Company will continue to explore the property with a view to proving additional resources.

#### Infrastructure

The acquisition of the Bunker Hill mine includes all mining rights and claims, surface rights, fee parcels, mineral interests, easements, existing infrastructure at Milo Gulch, and the majority of machinery and buildings at the Kellogg Tunnel portal level, as well as all equipment and infrastructure anywhere underground at the Bunker Hill Mine Complex. The acquisition also includes all current and historic data relating to the Bunker Hill Mine Complex, such as drill logs, reports, maps, and similar information located at the mine site or any other location.

#### Government Regulation and Approval

The current exploration activities and any future mining operations are subject to extensive laws and regulations governing the protection of the environment, waste disposal, worker safety, mine construction, and protection of endangered and protected species. The Company has made, and expects to make in the future, significant expenditures to comply with such laws and regulations. Future changes in applicable laws, regulations and permits or changes in their enforcement or regulatory interpretation could have an adverse impact on the Company's financial condition or results of operations.

It is anticipated that it may be necessary to obtain the following environmental permits or approved plans prior to commencement of mine operations:

- \* Reclamation and Closure Plan
- \* Water Discharge Permit
- \* Air Quality Operating Permit
- \* Industrial Artificial (tailings) pond permit
- \* Obtaining Water Rights for Operations

### Property Description

The Company's agreement (as amended) with Placer Mining Corporation includes mineral rights to approximately 440 patented mining claims covering over 5700 acres. Of these claims, 35 include surface ownership of approximately 259 acres. The transaction also includes certain parcels of fee property which includes mineral and surface rights but not patented mining claims. Mining claims and fee properties are located in Townships 47, 48 North, Range 2 East, Townships 47, 48 North, Range 3 East, Boise Meridian, Shoshone County, Idaho.

The agreement (as amended) specifically excludes the following: the Machine Shop Building and Parcel number 21 including all fixed equipment located inside the building and personal property located upon this parcel; unmilled ore located at the mine yard, and residual lead/zinc ore mined and broken, but not removed from the Bunker Hill Mine.

Surface rights were originally owned by various previous owners of the claims until the acquisition of the properties by Bunker Limited Partners ("BLP"). BLP sold off surface rights to various parties over the years while maintaining access to conduct mining operations and exploration activities as well as easements to a cross over and access other of its properties containing mineral rights. Said rights were reserved to its assigns and successors in continuous perpetuity. Idaho Law also allows mineral right holders access to mine and explore for minerals on properties to which they hold mineral rights.

Title to all patented mining claims included in the transaction was transferred from Bunker Hill Mining Co. (U.S.) Inc. by Warranty Deed in 1992. The sale of the property was properly approved of by the U.S. Trustee and U.S. Bankruptcy Court.

Over 90% of surface ownership of patented mining claims not owned by Placer Mining Corp. is owned by different landowners. These include: Stimpson Lumber Co.; Riley Creek Lumber Co.; Powder LLC.; Golf LLC.; C & E Tree Farms; and Northern Lands LLC.

Patented mining claims in the State of Idaho do not require permits for underground mining activities to commence on private lands. Other permits associated with underground mining may be required, such as water discharge and site disturbance permits. The water discharge is being handled by the EPA at the existing water treatment plant. The Company expects to take on the water treatment responsibility in the future and obtain an appropriate discharge permit.

### Competition

The Company competes with other mining and exploration companies in connection with the acquisition of mining claims and leases on zinc and other base and precious metals prospects as well as in connection with the recruitment and retention of qualified employees. Many of these companies are much larger than the Company, have greater financial resources and have been in the mining business for much longer than it has. As such, these competitors may be in a better position through size, finances and experience to acquire suitable exploration and development properties. The Company may not be able to compete against these companies in acquiring new properties and/or qualified people to work on its current project, or any other properties that may be acquired in the future.

Given the size of the world market for base precious metals such as silver, lead and zinc, relative to the number of individual producers and consumers, it is believed that no single company has sufficient market influence to significantly affect the price or supply of these metals in the world market.

### Employees

The Company is currently managed by Sam Ash, President and CEO and Wayne Parsons, Chief Financial Officer.

### **Completed Work and Future Plan of Operations**

The Company has commenced a significant transformation since March 2020 following the appointments of Mr. Richard Williams as Executive Chairman and Mr. Sam Ash as CEO. The former, based in Toronto and the latter, based in Kellogg at the mine site. Concurrent to upgrading the company's governance systems, this new leadership has prioritized investment in exploration and water management over exercising its right to purchase the mine, as the optimal value-creation path for this stage of its development. The former is designed to maximize the economic value in the mine, whilst the latter improves its sustainability, with both informing the restart plans and the optimal time to exercise the asset purchase.

### Digitization of Data

Led by the new CEO, the Company has undertaken an extensive due diligence program to assure itself of the viability of a restart of the Bunker Hill Mine. This necessitated an extensive review, compilation and digitization of the records that were present primarily at the Bunker Hill Mine offices. At those offices there are tens of thousands of pages of reports and records, including data from over 3500 Drill Holes, (representing 180,000m of drill core), which detail the operations of the mine and its supporting exploration efforts from its earliest days to the time of the shutdown in 1991 by BLP.

Having reviewed, compiled and digitized the data and built the first working digital model of the mine and its geology, the Company has satisfied itself that there is a large amount of remaining lead/silver/zinc mineralization in numerous zones within the Bunker Hill Mine, and that there exists significant high-grade silver potential throughout the mine, and at depth. This has led the Company to prioritize the exploration of the silver potential contained within the Galena-Quartz or Hybrid Veins over the Zinc mineralization, and is represented by a strategy that is best characterized as a 'Pivot to Silver'.

### Exploration

Concurrent to the digitization work, and since March 2020, the Company has been working systematically to bring a number of these zones into National Instrument 43-101 ("NI 43-101") compliance through drilling and channel sampling of the open stopes. This has been focused upon the mineralization that is closest to the existing infrastructure and above the current water-level, and is represents the first of two distinct phases of exploration:

- Phase One: Validation to NI 43-101 standards of up to 9Mt of primarily Zinc Ore contained within the UTZ, Quill and Newgard Ore Bodies. This was conducted between April and July of 2020, involved over 9,000' of drilling from Underground and extensive sampling from the many open stopes above the water-level.

These mineral zones will be the first to be NI 43-101 verified using recent exploration data and could provide the majority of the early feed upon mine start-up. It is intended that the Company intends to file a NI 43-101 on SEDAR in the latter half of 2020 to detail the results of the exploration and development options.

- Phase Two: Exploration of high-grade Lead-Silver Mineralization, in the upper levels of the mine and identified by the data review and digitization process. The intends to include start with over 30,000' of drilling from surface and underground, with the express purpose of affirming the silver potential within the mine as part of the resource development work started in Phase One.

### Water Management Optimization

The EPA currently provides mine water treatment services for the Bunker Hill Mine to ensure compliance with existing discharge standards. This is done via its management of the Central Water Treatment Plant, located adjacent and downstream to the mine. Although it also treats other contaminated water collected from other sources in the vicinity, with respect to its service to Bunker Hill Mine, this facility treats all the water that exits the Kellogg Tunnel before it is discharged into the South Fork of the Coeur D'Alene River.

In partnership with the EPA, and concurrent to its exploration efforts the Company has started an extensive review of the current water management and treatment system and identified several optimization opportunities. These will be studied and then developed further over FY 2021 to highlight ways to improve the efficiency of that system, and thereby improve the long-term sustainability of the mine to the significant benefit of all stakeholders. These studies also extend to optimizing existing de-watering plans, designed to enable access to the lower parts of the mine.

### Infrastructure Review

The Bunker Hill Mine main level is termed the nine level and is the largest level in the mine. It is connected to the surface by the approximately 12,000 foot-long Kellogg Tunnel. Three major inclined shafts with associated hoists and hoistrooms are located on the nine level. These are the No. 1 shaft, which is used for primary muck hoisting in the main part of the mine; the No. 2 shaft, which is a primary shaft for men and materials in the main part of the mine; and the No. 3 Shaft, which is used for men, materials and muck hoisting for development in the northwest part of the mine.

The top stations of these shafts and the associated hoistrooms and equipment have all been examined by Company personnel and are in moderately good condition. The Company believes that all three shafts remain in a condition that they are repairable and can be bought back into good working order over the next few years.

The water level in the mine is held at approximately the ten level of the mine, roughly 200 feet below the nine level. The mine was historically developed to the 27 level, although the 25 level was the last major level that underwent significant development and past mining. Each level is approximately 200 feet vertically apart.

The southeastern part of the mine was historically serviced by the Cherry Raise, which consisted of a two-compartment shaft with double drum hoisting capability that ran at an incline up from the nine level to the four level. The central part of the mine was serviced upward by the Last Chance Shaft from the nine level to the historic three or four level. Neither the Cherry Raise or the Last Chance shaft are serviceable at this time. However, the upper part of the mine from eight level up to the four level has been developed by past operators by a thorough-going rubber tire ramp system, which is judged to be about 65% complete.

The Company has repaired the first several thousand feet of the Russell Tunnel, which is a large rubber-tire capable tunnel with an entry point at the head of Milo Gulch. This tunnel will provide early access to the UTZ Zone, and Quill and Newgard Zones, following ramp and access development. The Company has made development plans to provide interconnectivity of the ramp system from the Russell Tunnel at the four level down to the eight level, with further plans to extend the ramp down to the nine level. Thus rubber-tired equipment will be used for mining and haulage throughout the upper mine mineral zones, which have already been identified, and for newly found zones.

The Kellogg Tunnel will be used as a tracked rail haulage tunnel for supply of men and materials into the mine and for haulage of mined material out of the mine. Historically the Kellogg Tunnel (or “KT” for short) was used in this manner when the mine was producing upwards of 3000 tons per day of mined material. The Company has inspected the KT for its entire length and has determined that significant timbered sections of the tunnel will need extensive repairs. These are areas that intersect various faults passing through the KT at normal to oblique angles and create unstable ground.

The Company has determined that all of the track, as well as spikes, plates and ties holding the track will need to be replaced, and has started that process in support of the on-going exploration program. Additionally, the water ditch that runs parallel to the track will need to be thoroughly cleaned out and new timber supports and boards that keep the water contained in its path will need to be installed. All new water lines, compressed air lines and electric power feeds will also need to be installed. The total cost estimate for this KT work is still in process at the time of the date of this report, but the time estimate for these repairs is approximately twelve months.

#### Development of Restart Options

Although subject to formal engineering studies and mine planning, it is anticipated that earliest production will come from the upper levels of the mine where company personnel have observed mining faces of mineralized material that are readily mineable, as they were left behind by past operators in a more or less fully developed state.

The Company is currently investigating options to process its ore locally at one of the underutilized facilities in the Silver Valley but is also examining other organic processing options. This would involve the construction of its own crushing, milling and floatation facility to be located either underground within the mine or outside, close to the entrance to the KT. It is anticipated the initial mill capacity will be 1500 tons per day, but designed to allow expansion when needed.

The Company has identified multiple tailings disposal sites underground within the mine, as well as to the west-northwest of where the mill will be located.

Initial reviews indicate that it would be feasible to mine ore from the UTZ, Newgard, and Quill zones at rates of approximately 1500 tons per day, which could see the Company would anticipate mining approximately 540,000 tons per year of material. Although subject to formal studies it is judged that these ore zones contain sufficient mineral to supply the Company’s mining needs for a minimum of 8 years. This would be extended with the exploration and development of other zones throughout the mine, and at depth. These are highlighted within the 43-101 technical report filed on SEDAR by previous management on September 6, 2018.

These will be developed further over the next 12 months, informed by the exploration program and engineering studies.

#### Lease Management

In order to provide the company with the time to develop its understanding of the mine, its resources, its restart options and the optimal long-term water management solution, the Company seeks to ensure appropriate extension to its lease with Placer Mining Corporation. As detailed below, and as a subsequent event to this time-period of this report, the Company successfully secured a lease extension to August 2022.

#### **Technical Report**

On October 19, 2020, the Company filed on SEDAR a National Instrument 43-101 (“NI 43-101”) technical report on its Bunker Hill property.

The technical report included:

1. An 8.8 million ton Inferred Resource comprised of 11.2M Oz of Silver, 409M Lbs of Lead, and 889M Lbs of Zinc.
2. Comprehensive description of the geologic setting
3. A recommended plan for a US\$7.7 million Exploration Program to upgrade the historic resources to a NI 43-101 Indicated Resource.

## RESULTS OF OPERATIONS

The following discussion and analysis provides information that we believe is relevant to an assessment and understanding of our results of operation and financial condition for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. Unless otherwise stated, all figures herein are expressed in U.S. dollars, which is the functional currency of the Company.

### **Results of Operations for the three months ended September 30, 2020 compared to the three months ended September 30, 2019.**

#### Revenue

During the three-month periods ended September 30, 2020 and 2019, the Company generated no revenue.

#### Operating expenses

During the three-month period ended September 30, 2020, the Company reported total operating expenses of \$6,105,916 compared to \$1,286,061 during the three-month period ended September 30, 2019, an increase of \$4,819,855. The three-month increase results primarily from a \$4,101,406 increase in exploration, a \$489,155 increase in operation and administration, a \$130,696 increase in legal and accounting, and a \$98,598 increase in consulting.

For financial accounting purposes, the Company expenses all property lease payments and exploration expenditures in the statement of operations. During the interim period ended September 30, 2020, some activities were carried out on the Bunker Hill mine and payments made on account of the lease.

#### Net loss and comprehensive loss

The Company had a net loss and comprehensive income of \$267,859 for the three months ended September 30, 2020, compared to a net loss and comprehensive loss of \$4,236,700 for the three months ended September 30, 2019, a decrease of \$3,968,841. The decrease in net loss and comprehensive loss was primarily due to a \$11,124,561 increase in the gain on change in derivative liabilities due to a decrease in the Company's share price, offset by a \$4,819,855 increase in operating expenses, a \$940,290 increase in loss on private placement, a \$947,156 increase in share issuance cost, and a \$360,000 increase in financing cost.

The Company has accounted for the warrant liabilities and conversion features in accordance with ASC Topic 815. These are considered derivative instruments as they were issued in a currency other than the Company's functional currency of the US dollar. The estimated fair value, using the binomial model, of warrants and conversion features accounted for as liabilities was determined on the date of issue and marks to market at each financial reporting period. The change in the fair value of the warrants and conversion features resulted from the shortened expected life due to passage of time as well as fluctuations in the volatility of the share price. The change in fair value of the warrants and the conversion features was gain of \$9,311,304 for the three months ended September 30, 2020 (loss of \$1,813,257 for the three months ended September 30, 2019) and are recorded in the condensed consolidated statement of operations and comprehensive loss as a gain or loss and is estimated using the Binomial model. The proceeds from the Offering are being used primarily for lease payments, acquisition payments, exploration and development at the Bunker Hill Mine and for general corporate and working capital purposes.

## ANALYSIS OF FINANCIAL CONDITION

### **Liquidity and Capital Resources**

The Company does not currently have sufficient working capital needed to meet its planned expenditures and obligations. In order to execute on its plans, continue to meet its fiscal obligations in the current fiscal year and beyond the next twelve months, the Company must seek additional financing. Management will be pursuing a financing by way of issuing new common shares or various other financing alternatives.

The Company is working to secure adequate capital to continue making lease payments, payments to the EPA, conduct exploration activities on site and cover general and administrative expenses associated with managing a public company.

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis



that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

#### ***Current Assets and Total Assets***

As of September 30, 2020, the unaudited balance sheet reflects that the Company had: i) total current assets of \$8,980,567, compared to total current assets of \$243,379 at June 30, 2020, an increase of \$8,737,188, or approximately 3590%; and ii) total assets of \$9,507,375, compared to total assets of \$732,884 at June 30, 2020, an increase of \$8,774,491, or approximately 1197%. The increase generally resulted from the private placements completed during the three months ended September 30, 2020, offset by cash used in operating activities.

#### ***Total Current Liabilities and Total Liabilities***

As of September 30, 2020, the unaudited balance sheet reflects that the Company had: i) total current liabilities of \$16,511,715, compared to total current liabilities of \$15,098,294 at June 30, 2020, an increase of \$1,413,421, or approximately 9%; and ii) total liabilities of \$41,798,019, compared to total liabilities of \$33,974,803 at June 30, 2020, an increase of \$7,823,216, or approximately 23%.

The Company has accounted for the warrant liabilities in accordance with ASC Topic 815. These are considered derivative instruments as they were issued in a currency other than the Company's functional currency of the US dollar. The estimated fair value of warrants accounted for as liabilities was determined on the date of issue and marks to market at each financial reporting period. The change in fair value of the warrant is recorded in the condensed consolidated statement of operations and comprehensive loss as a gain or loss and is estimated using the Binomial model.

#### ***Cash Flow – for the interim periods ended September 30, 2020 and 2019***

During the interim periods ended September 30, 2020 cash was primarily used to fund working capital and operations as well as property payments. The Company reported a net increase in cash of \$8,576,495 during the three months ended September 30, 2020 compared to a net increase in cash of \$571,360 during the three months ended September 30, 2019. The following provides additional discussion and analysis of cash flow.

	<b>2020</b>	<b>2019</b>
<b>For the three months ended September 30,</b>	<b>\$</b>	<b>\$</b>
Net cash used in operating activities	<b>(4,571,685)</b>	(540,821)
Net cash used in investing activities	<b>(84,767)</b>	-
Net cash provided by financing activities	<b>13,232,947</b>	1,112,181
<b>Net Change in Cash</b>	<b>8,576,495</b>	<b>571,360</b>

#### **Going Concern**

These unaudited interim condensed consolidated financial statement filings have been prepared on the going concern basis, which assumes that adequate sources of financing will be obtained as required and that the Company's assets will be realized, and liabilities settled in due course of business. Accordingly, the interim condensed consolidated unaudited financial statements do not include any adjustments related to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company not be able to continue as a going concern. The going concern assumption is discussed in the financial statements *Note 1 – Nature and Continuance of Operations and Going Concern*.

#### **OFF BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not Applicable.

#### **ITEM 4. CONTROLS AND PROCEDURES.**

##### **Disclosure Controls and Procedures**

The Securities and Exchange Commission 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 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission'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 Securities Exchange Act of 1934 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 Securities Exchange Act of 1934 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, and the restatement of previously filed financial statements, 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 identification of significant deficiencies that led to the restatement of its previously filed financial statements. Based on the context in which the individual deficiencies occurred and the resulting restatement of its previously filed financial statements, management has concluded that these significant deficiencies, in combination, represent a material weakness. The Company's Chief Executive Officer and Chief Financial Officer also concluded that updates to the disclosure controls and procedures should be made to improve the effectiveness of the controls and procedures to provide reasonable assurance of the assurance of these objectives.

### **Changes in Internal Control over Financial Reporting**

Commencing in 2020, the Company has a new management team and new members of the Board of Directors, including a new Chair of the Audit Committee, which are focused on transitioning the Company to a new management approach, modern thinking, new systems and practices, modern approaches to engagement and a system of internal controls and procedures. Management's daily involvement in the business provides it with more than adequate knowledge to identify the areas of financial reporting risks and related controls. In addition, the procedures followed are integrated within the daily responsibilities of the Company's employees, allowing management to rely on their own intimate knowledge and supervision of controls. As the Company's business plan is implemented and additional staff is added, including a new Chief Financial Officer, management will be able to address these significant deficiencies.

Management also plans to engage a third-party firm to assist in developing Disclosure Controls and Procedures and Internal Controls Over Financial Reporting. The Company intends to remedy these significant deficiencies dependent on having the financial resources available to complete them.

## **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.

In addition to the payments to Placer Mining, pursuant to agreements with the United States Environmental Protection Agency ("EPA") whereby for so long as Bunker leases, owns and/or occupies the Bunker Hill Mine, the Company will be responsible for water treatment costs from mine water outflows from the Bunker Hill Mine. These payments currently are estimated at \$960,000 annually and are to be made to the EPA in two semi-annual payments of \$480,000 due semi-annually on June 1 and December 1 of each year. Additionally, the Company has agreed to make payments to the EPA on behalf of the current owner in satisfaction of the EPA's claim for response cost recovery. These payments, if all are made, will total \$20 million. The cost recovery agreement calls for payments starting with \$1 million 30 days after a fully ratified agreement was signed (which payment was made) followed by \$2 million on November 1, 2018 and \$3 million on each of the next 5 anniversaries with a final \$2 million payment on November 1, 2024. The November 1, 2018 and November 1, 2019 cost recovery payments were not made, and the December 1, 2018 and June 1, 2019 water treatment payments were not made. The Company remains in active discussions with the EPA to amend and/or defer payments, or to propose a satisfactory lump sum payment arrangement to entirely pay its outstanding obligations. In recent email transmittals the Department of Justice (acting as counsel for the EPA) has intimated that unless the Company can in the near term propose acceptable payment arrangements to bring its accounts payable current, legal action may occur to enforce one or more of the agreements the Company has with the EPA. Thus, current and prospective investors and shareholders should be aware that unless the Company is able to make satisfactory arrangements with the EPA in the near term, the EPA may decide to formally declare a default on both the water treatment agreement and the cost recovery agreement which would adversely affect the ability of the Company to continue to undertake its business plan.

### **ITEM 1A. RISK FACTORS.**

Not Applicable.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

Not Applicable.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES.**

The enacted Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Act") requires the operators of mines to include in each periodic report filed with the Securities and Exchange Commission certain specified disclosures regarding the Company's history of mine safety. The Company currently does not operate any mines and, as such, is not subject to disclosure requirements regarding mine safety that were imposed by the Act.

### **ITEM 5. OTHER INFORMATION.**

Not Applicable.

**ITEM 6. EXHIBITS.**

(a) The following exhibits are filed herewith:

- 31.1 [Certifications pursuant to Rule 13a-14\(a\) or 15d-14\(a\) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certifications pursuant to Rule 13a-14\(a\) or 15d-14\(a\) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101. SCH XBRL Schema Document.
- 101. INS XBRL Instance Document.
- 101. CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101. LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101. PRE XBRL Taxonomy Extension Presentation Linkbase Document.
- 101. DEF XBRL Taxonomy Extension Definition Linkbase Document.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

By: /s/ Sam Ash

Sam Ash, President and Chief Executive Officer

Date: November 23, 2020

By: /s/ Wayne Parsons

Wayne Parsons, Chief Financial Officer

Date: November 23, 2020