

# **BOND RESOURCES INC.**

Condensed Interim Consolidated Financial Statements  
For the period from July 1, 2020 to December 31, 2020

# BOND RESOURCES INC.

## Condensed Interim Consolidated Statement of Financial Position

As at December 31, 2020

(in United States Dollars)

(Unaudited)

	December 31, 2020	June 30, 2020
<b>Assets</b>		
Current assets:		
Cash	\$ 1,292,729	\$ 356,569
Due from shareholders	-	119,079
Amounts receivable	28,493	21,175
Prepaid expenses and advances	33,952	81,006
<b>Total current assets</b>	<b>1,355,174</b>	<b>577,829</b>
Non-current assets:		
Property and equipment (Note 5)	485,633	485,633
Exploration and evaluation assets (Note 6)	1,090,788	812,788
<b>Total non-current assets</b>	<b>1,576,421</b>	<b>1,298,421</b>
<b>Total assets</b>	<b>\$ 2,931,595</b>	<b>\$ 1,876,250</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 28,108	\$ 118,106
Due to related party (Note 4)	45,000	-
<b>Total liabilities</b>	<b>73,108</b>	<b>118,106</b>
<b>Shareholders' Equity</b>		
Share capital (Note 7)	6,305,621	4,438,042
Share subscription received (Note 7)	23,563	-
Equity reserve (Note 7)	718,570	718,383
Accumulated other comprehensive income	51,616	31,028
Deficit	(4,240,883)	(3,429,309)
<b>Total shareholders' equity</b>	<b>2,858,487</b>	<b>1,758,144</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,931,595</b>	<b>\$ 1,876,250</b>

**Going Concern** (Note 1)

Subsequent Event (Note 10)

Approved on behalf of the Board of Directors:

*signed "Joseph Carrabba"*

Director

*signed "Robert Eadie"*

Director

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

# BOND RESOURCES INC.

## Condensed Interim Consolidated Statement of Net Loss and Comprehensive Loss

For the period from July 1, 2020 to December 31, 2020

(in United States Dollars)

(Unaudited)

<b>Pre-exploration costs</b>	
Assays	\$ 1,063
Consulting / Labor	145,313
Drilling	93,880
Equipment Rental	181,019
Office and misc.	12,904
Insurance	47,932
Permitting	9,023
Repairs & Maintenance	5,953
Supplies	32,239
Travel / Auto	19,204
	<hr/>
	548,530
<b>Expenses</b>	
Accounting and audit fees (Note 4)	27,260
Foreign exchange loss	19,779
Finance costs	75
Legal, consulting and corporate services (Note 4)	43,895
Management activities (Note 4)	77,049
Marketing activities	56,257
Office, rent and administration (Note 4)	6,307
Shareholder communications (Note 4)	22,417
Transfer agent and filing fees	10,005
	<hr/>
<b>Total expenses</b>	811,574
<b>Net loss</b>	<hr/> <b>(811,574)</b>
<b>Other comprehensive income:</b>	
<b>Items that will be reclassified subsequently to profit or loss</b>	
Foreign currency translation of foreign operations	20,588
	<hr/>
<b>Comprehensive loss</b>	<b>\$ (790,986)</b>
	<hr/>
<b>Net loss per share</b> Basic and diluted	\$ (0.01)
<b>Weighted average number of shares outstanding</b> - Basic and diluted	87,101,934

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

# BOND RESOURCES INC.

## Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

For the period from January 15, 2020 (date of incorporation) to December 31, 2020

(in United States Dollars)

(Unaudited)

	Share Capital		Share subscription received	Equity Reserve	Accumulated other comprehensive income	Deficit	Total
	Number	Amount					
Balance, January 15, 2020	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common control transaction (Note 1)	-	-	-	-	-	(354,803)	(354,803)
Issuance of common shares	62,200,000	2,164,206	-	-	-	-	2,164,206
Reverse merger transaction (Note 3)	16,447,050	2,333,836	-	68,383	-	-	2,402,219
Finder's fee	-	(60,000)	-	-	-	-	(60,000)
Stock based compensation	-	-	-	650,000	-	-	650,000
Net and comprehensive loss	-	-	-	-	31,028	(3,074,506)	(3,043,478)
Balance, June 30, 2020	78,647,050	\$ 4,438,042	\$ -	\$ 718,383	\$ 31,028	\$ (3,429,309)	\$ 1,758,144
Issuance of common shares	15,971,947	1,869,029	-	-	-	-	1,869,029
Share issue costs	-	(148)	-	-	-	-	(148)
Finder's fee	-	(1,302)	-	187	-	-	(1,115)
Share subscription received	-	-	23,563	-	-	-	23,563
Net and comprehensive loss	-	-	-	-	20,588	(811,574)	(790,986)
<b>Balance, December 31, 2020</b>	<b>94,618,997</b>	<b>\$ 6,305,621</b>	<b>\$ 23,563</b>	<b>\$ 718,570</b>	<b>\$ 51,616</b>	<b>\$ (4,240,883)</b>	<b>\$ 2,858,487</b>

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

# BOND RESOURCES INC.

## Condensed Interim Consolidated Statement of Cash Flows

For the period from July 1, 2020 to December 31, 2020

(in United States Dollars)

(Unaudited)

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<b>Operating Activities</b>		
Net loss	\$	(811,574)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities		(89,998)
Prepaid expenses and advances		47,054
Due from shareholder		119,079
Amounts receivable		(7,318)
<b>Net cash used in operating activities</b>		<b>(742,757)</b>
<b>Investing Activities</b>		
Exploration and evaluation assets ( <i>Note 6</i> )		(278,000)
<b>Net cash used in investing activities</b>		<b>(278,000)</b>
<b>Financing Activities</b>		
Issuance of shares for cash ( <i>Note 7</i> )		1,867,766
Share subscription received		23,563
Shareholder loan		45,000
<b>Net cash provided by financing activities</b>		<b>1,936,329</b>
<b>Increase in cash</b>		<b>915,572</b>
<b>Effect of foreign exchange on cash</b>		<b>20,588</b>
<b>Cash, beginning of the period</b>		<b>356,569</b>
<b>Cash, end of the period</b>	\$	<b>1,292,729</b>

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

# BOND RESOURCES INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period from July 1, 2020 to December 31, 2020

(all amounts are expressed in United States dollars)

(Unaudited)

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### 1. Nature of Operations and Going Concern

Bond Resources Inc. (“Bond” or the “Company”) was incorporated on January 22, 2007 under the Business Corporations Act of British Columbia as J. Bond Capital Corporation. It did not commence operations until August 15, 2017. Bond changed its legal name to Bond Resources Inc. on November 16, 2018 and commenced trading on the Canadian Securities Exchange (the “CSE”) on May 2, 2019 under the trading symbol “BJB”.

On May 15, 2020, Bond legally acquired MJ Mining Inc. (“MJ Mining”). MJ Mining was incorporated on January 15, 2020 under the laws of British Columbia, Canada. MJ Mining’s 100% owned subsidiary, MJ Mining Corp., was formed on October 25, 2019 (originally under the name of MJ Mining LLC) under the laws of the State of Delaware, United States of America. The Company’s principal business activity is the exploration of mineral properties in the United States. The address of the Company’s corporate office is 750 – 580 Hornby Street, Vancouver, British Columbia, Canada.

#### *Acquisition by Bond Resources Inc. – Reverse Merger*

On April 2, 2020, MJ Mining entered into a share exchange agreement (“Agreement”) with Bond whereby Bond issued 62.2 million common shares to the shareholders of MJ Mining, for 100% of the issued and outstanding shares of MJ Mining. The Agreement closing was subject to, among other conditions; completion of a 43-101 technical report on the Mary K Property; the completion of a private placement of at least \$1,600,000 by Bond; and, CSE and shareholder approval, all of which were completed and obtained by May 15, 2020. As a result, the acquisition of Bond resulted in a change of control, which transaction amounts to a reverse merger transaction (“Reverse Merger”). As a Reverse Merger, Bond is the legal parent, however, the accounting parent going forward is MJ Mining with the acquisition value being the net assets of Bond (see note 3).

#### *Going concern*

The condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due. Management is aware events and conditions that create a material uncertainty that could cast significant doubt about the Company’s ability to continue as a going concern and therefore may be unable to realize its assets and discharge its liabilities in the normal course of business. For the period ended December 31, 2020, the Company incurred a comprehensive loss of \$811,574 and had negative cash flows from operations of \$742,757. These condensed interim consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue as a going concern and therefore be required to realize its assets and liabilities in other than the normal course of business and potentially at amounts materially different from those recorded in these condensed interim consolidated financial statements.

The Company is in the process of exploring its mineral property interests (Note 6) and has not yet determined whether the projects contain mineral reserves that are economically recoverable. The Company’s continuing operations and the underlying value and recoverability of the amounts shown for mineral properties is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral properties, obtaining the necessary permits to mine, and future profitable production or proceeds from the disposition of the mineral properties. Management currently assesses the Company’s ability to continue as a going concern using financial forecasts of 12 months to ensure the Company has adequate capital to meet its financial obligations.

# BOND RESOURCES INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period from July 1, 2020 to December 31, 2020

(all amounts are expressed in United States dollars)

(Unaudited)

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### 1. Nature of Operations and Going Concern *(continued)*

#### *Common control transaction*

On January 15, 2020, MJ Mining completed the acquisition of all the issued and outstanding shares of MJ Mining Corp. ("Mining Corp."), an entity under common control. Management determined that the acquisition of Mining Corp. did not meet the definition of a business in accordance with IFRS 3 Business Combinations, as it did not have the inputs, processes and outputs required to meet the definition of a business. Accordingly, the acquisition has been accounted for as an asset acquisition. The fair value of the assets and liabilities acquired consisted of:

Cash	\$	360,394
Prepaid expenses	\$	15,000
Other receivables	\$	19,963
Property and equipment	\$	127,750
Due to shareholders	\$	(877,910)
<u>Net deficit</u>	<u>\$</u>	<u>(354,803)</u>

#### *Corona Virus Pandemic*

The novel coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks. The full extent of the impact on the Company's future financial results is uncertain given the length and severity of these developments cannot be reliably estimated but may impact the Company's ability to raise sufficient funds to complete planned activities on the Mary K Property and be compliant with the earn-in provisions.

### 2. Basis of Presentation

#### (a) Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements, for the six months period ended December 31, 2020, have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting, and do not include all the information required for full annual financial statement. These condensed interim consolidated financial statements were approved and authorized for issuance on February 23, 2021 by the Board of Directors.

These condensed interim consolidated financial statements should be read in conjunction with the Company's June 30, 2020 audited annual financial statements.

# **BOND RESOURCES INC.**

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

For the period from July 1, 2020 to December 31, 2020

(all amounts are expressed in United States dollars)

(Unaudited)

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### **2. Basis of Presentation – (continued)**

#### (b) Basis of Presentation and Measurement

These condensed interim consolidated financial statements have been prepared using the historical cost convention, except for certain financial instruments measured at fair value, as explained in the Company's accounting policies discussed in note 3 of the Company's June 30, 2020 audited annual financial statements.

The condensed interim consolidated financial statements are presented in United States dollars, which is the functional currency of MJ Mining and MJ Mining Corp.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 of the Company's June 30, 2020 audited annual financial statements.

### **3. Reverse Merger**

On January 2, 2020, Bond entered into a definitive share-purchase agreement to purchase a 100% interest in MJ Mining. On May 15, 2020 the Transaction was completed. As a result of the Transaction, the Company issued 62,200,000 common shares to the shareholders of MJ Mining.

On closing of the Transaction, certain MJ Mining shareholders held a large minority voting interest of the Company and the Board of Directors was also comprised of some MJ Mining shareholders. As a result, the shareholders of MJ Mining controlled the Company. The Transaction constituted a Reverse Merger of Bond by MJ Mining.

Since Bond did not meet the definition of a business under IFRS 3, Business Combinations ("IFRS 3"), the acquisition was accounted for as the purchase of Bond's assets by MJ Mining. The consideration paid was measured as equity settled share-based payment under IFRS 2, Share based Payments ("IFRS 2"), being the fair value of the equity of Bond retained by the shareholders of MJ Mining based on the fair value of the Bond's common shares on the date of closing of the Reverse Merger.

For Reverse Merger accounting purposes, the percentage ownership of the shareholders of MJ Mining in the combined entity on completion of the Transaction was 79% (being 62,200,000 of the total 78,647,050 issued and outstanding shares of the Company on closing of the Transaction). Based on the share price of the Bond prior to the Reverse Merger of CAD\$0.20 per share, the consideration received by the shareholders of MJ Mining amounted to CAD\$12.44 million.

The accounting of the purchase price payable pursuant to the Agreement is the cost to acquire Bond's share capital and outstanding options at the fair value at the time of the transaction. The fair value is calculated as CAD\$2,916,210, being the cost of acquiring the 14,581,050 outstanding common shares of Bond at CAD\$0.20, the post-closing trading price of those shares and fair value of the stock options at the date of the time of the transaction calculated using the Black Scholes method, the details of which are as follows:



# BOND RESOURCES INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period from July 1, 2020 to December 31, 2020

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### 3. Reverse Merger – (continued)

Fair value of consideration:

14,581,050 shares @ \$0.20 per share	\$	2,069,051
1,866,000 shares @ 0.20 per share		264,785
555,000 options, exercisable at \$0.10		39,377
196,000 options, exercisable at \$0.10		13,906
212,820 warrants, exercisable at \$0.10		15,100
<b>Total consideration</b>	<b>\$</b>	<b>2,402,219</b>

Net assets acquired

Cash	\$	1,051,986
Amounts receivable		35,524
Prepaid		79,469
Amounts payable		(28,643)
<b>Net assets</b>	<b>\$</b>	<b>1,138,336</b>

**Excess of consideration over net assets required** **\$ 1,263,883**

The net assets of Bond were included at their fair value (equal to the net carrying value).

### 4. Related Party Transactions

During the period ended December 31, 2020, Bond incurred management fees totalling \$77,049 from officers of the Company and operational expenses for accounting, office and legal and corporate services of \$21,672 from companies controlled by an officer and the secretary of the Company. Shareholder communication expenses of \$12,280 were charged to the Company by a person related to a director for services rendered. Transactions with related parties are recognized in the normal course of operations and are recorded at exchange value.

During the period ending December 31, 2020, the CEO advanced \$45,000 to the Company as an unsecured, non-interest bearing loan due February 28, 2021.

### 5. Property and Equipment

	Mining equipment	Vehicles	Total
<b>Cost</b>			
Additions	\$ 497,208	\$ 24,769	\$ 521,977
<b>Accumulated Depreciation</b>			
Depreciation	(34,619)	(1,725)	(36,344)
<b>Net Carrying Amount, June 30, 2020 and December 31, 2020</b>	<b>\$ 462,589</b>	<b>\$ 23,044</b>	<b>\$ 485,633</b>

Included in mining equipment additions is equipment acquired from a shareholder having a value of \$360,000 based on an external valuation report. As consideration, 23,400,000 common shares were issued.

# BOND RESOURCES INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period from July 1, 2020 to December 31, 2020

(all amounts are expressed in United States dollars)

(Unaudited)

### 6. Exploration and Evaluation Assets

	<b>Total</b>
<b>Acquisition Costs:</b>	
Balance, January 15, 2020	\$ -
Mineral lease contract <i>Mary K Property</i>	786,018
Reclamation bond	26,770
Balance, June 30, 2020	\$ 812,788
Ground lease rent	78,000
Net Profits Royalty advance	200,000
Balance, December 31, 2020	\$ 1,090,788
<b>Total Exploration and evaluation assets, June 30, 2020</b>	<b>\$ 812,788</b>
<b>Total Exploration and evaluation assets, December 31, 2020</b>	<b>\$ 1,090,788</b>

#### *Mary K Property*

MJ Mining, through its US subsidiary MJ Mining Corp., has been granted the exclusive option to acquire, over a period of ten years, the right, title and interest in and to the Mary K Property, free and clear of all charges, encumbrances, claims, royalties, or other interests except for a 5% State Royalty, for a total purchase price of \$8,650,000 (the "Purchase Price") as follows:

- a) \$500,000 payable based upon the "Initial Closing", defined as April 10, 2020 (all payments completed by June 10, 2020).
- b) The balance of the Purchase Price, \$8,150,000 will be paid as a Net Profit Royalty ("NPR"), paid on a quarterly basis and will vary depending on the grade of gold realized from operations as follows:
  - if the gold grade is 1.0 ounce per ton or greater, the NPR will be 50%;
  - if the gold grade is between 0.25-0.9999 ounces per ton, the NPR will be 30%; or
  - if the gold grade is less than 0.25 ounces per ton, the NPR will be 10%.

The Net Profits Royalty is also subject to certain minimum annual payments of:

- at least \$200,000 per year commencing in 2020 (paid);
- at least \$4,075,000 must be paid, in aggregate, after five years; and
- at least \$8,150,000 must be paid, in aggregate, after 10 years.

Due to the consideration being payable over time, the parties have agreed to a two-phase closing of the Transaction. Subject to approval from the Idaho Department of Lands, the Company will be subleasing the rights starting on the Initial Closing date and continuing until the earlier of the Final Closing Date or the date the agreement is terminated by the Company. If the agreement is not terminated by the Company, on or before the Final Closing Date the lease will be terminated, and the Vendors will assign their rights of the Mary K Mine to the Company.

On March 10, 2020, MJ Mining entered into a ground lease ("Ground Lease") with certain arm's

# BOND RESOURCES INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period from July 1, 2020 to December 31, 2020

(all amounts are expressed in United States dollars)

(Unaudited)

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### 6. Exploration and Evaluation Assets (continued)

#### *Mary K Property (continued)*

length parties (“Vendors”) for a mineral lease located in the State of Idaho (“Mary K Mine”). The term of this Ground Lease commences on April 1, 2020 and expires at the end of the tenth full lease year. MJ Mining will pay fixed rent in advance on the first day of each calendar quarter of \$26,000.

In exchange for MJ Mining’s payment of non-refundable fees of \$350,000, MJ Mining was granted an option to purchase the Mary K Property during the term of this lease (see above).

On March 11, 2020, MJ Mining entered into a mineral sublease (“Sublease”) for the Mary K Mine. The term of this Sublease commences on March 11, 2020 and expires on February 28, 2022.

### 7. Share Capital

#### (a) Authorized

Unlimited number of common shares without nominal or par value.

Unlimited number of preferred shares, issuable in series

#### (b) Issuances

Prior to May 15, 2020, Bond had issued 14,581,050 shares which were remeasured at fair value when the Reverse Merger took place. At CAD\$0.20 the amount totalled \$2,069,051. In addition, Bond has 936,820 options that were revalued using the Black Scholes method at CAD\$0.10 at the date of the Reverse Merger, totalling \$68,383. 1,866,000 shares were issued for a 3% finders fee in relation to the Reverse Merger. The fee was valued at CAD\$0.20 totalling \$264,785.

Mining equipment with a value of \$360,000 was acquired from a shareholder (note 5). As consideration, 23,400,000 common shares were issued by MJ Mining prior to the Reverse Merger. Services rendered valued at \$224,315 were received, as consideration 14,580,475 common shares were issued by MJ Mining prior to the Reverse Merger.

On January 24, 2020, MJ Mining offered 7,019,525 common shares for cash with aggregate gross proceeds of \$150,000. On January 30, 2020, MJ Mining completed a private placement offering of 16,500,000 common shares or aggregate gross proceeds of \$1,139,940. MJ Mining paid \$60,000 in finder’s fees.

On February 19, 2020 MJ Mining completed a private placement offering of 4,000,000 common shares for aggregate gross proceeds of \$240,000. On March 30, 2020 MJ Mining completed a private placement offering of 500,000 common shares for aggregate gross proceeds of \$50,000.

On December 21, 2020, Bond completed a private placement raising \$1,841,694 (CAD \$2,366,392) in gross proceeds through the issuance of 15,775,947 units at a price of CAD\$0.15 per Unit. Each Unit is comprised of one common share and one common share purchase warrant, with each whole Warrant entitling the holder to purchase one common share of Bond at a price of CAD\$0.40 per share for a period of 2 years, provided that in the event the closing price of the Company’s Shares is equal to or greater than CAD\$0.60 per share for 20 consecutive trading days at any time following four months after the date of closing, the Company may, by notice to the Warrant holders, reduce the remaining exercise period of the Warrants to not less than 30 days following the date of such notice.

# BOND RESOURCES INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period from July 1, 2020 to December 31, 2020

(all amounts are expressed in United States dollars)

(Unaudited)

### 7. Share Capital (continued)

#### (b) Issuances (continued)

Aggregate compensation of \$1,115 (CAD \$1,440) and 4,800 finders' warrants, valued at \$187 (\$240 CAD) using the Black Scholes method, was paid by the Company as finders' fees. \$23,563 (CAD \$30,000) was received in relation to shares not yet issued.

#### (c) Warrants

A summary of the Company's outstanding share purchase warrants is presented below:

Number of Shares	Exercise Price CAD	Expiry Date
140,000	\$0.20	May 2, 2021
4,045,525	\$0.40	March 31, 2022
212,820	\$0.40	March 31, 2022
250,000	\$0.40	April 16, 2022
70,000	\$0.40	April 30, 2022
15,775,947	\$0.40	December 21, 2022
4,800	\$0.40	December 21, 2022
<b>20,499,092</b>	<b>\$0.40</b>	

During the period ended December 31, 2020, 56,000 warrants were exercised to acquire common shares at CAD\$0.15 per common share for proceeds of \$6,398 (CAD\$8,400).

#### (d) Share based payments

The Company, in accordance with the policies of the Exchange, is authorized to grant share purchase options to directors, officers, employees and service providers to acquire up to 10% of common shares then outstanding (the "Plan"). Under the Plan, options may be granted at no less than the closing market price of the Company's shares on the day preceding the grant for a maximum term of 10 years.

No amounts are paid or payable by the recipient on receipt and the options are not dependent on any performance-based criteria. Share purchase options will vest when granted except where granted for investor relations activities which vest and may be exercised in accordance with the vesting provisions as to ¼ of the options each 3 months.

On May 25, 2020, the Company granted 4,030,000 stock options at a price of CAD\$0.30 exercisable for a period of five years. Share based compensation includes \$650,000 calculated as the fair value of the stock options.

# BOND RESOURCES INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period from July 1, 2020 to December 31, 2020

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(Unaudited)

### 7. Share Capital (continued)

#### (d) Share based payments (continued)

The fair value of stock options above were determined using the Black-Scholes model with the following assumptions:

Grant date	May 25, 2020
Exercise price	CAD\$0.30
Expected life	5 years
Expected forfeiture rate	0.00%
Expected dividend yield	0.00%
Expected annual volatility	100.00%
Risk free rate	0.36%

A summary of the Company's outstanding stock options is presented below:

Number of Shares	Exercise Price CAD	Expiry Date
415,000	\$0.20	June 24, 2024
4,030,000	\$0.30	May 25, 2025
<b>4,445,000</b>	<b>\$0.29</b>	

During the period ended September 30, 2020, 140,000 options were exercised to acquire common shares at CAD\$0.20 per common share for proceeds of \$20,937 (CAD\$28,000).

### 8. Financial Instruments and Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

#### (a) Credit risk

Credit risk arises from the possibility that a counterparty to which the Company provides goods or services is unable or unwilling to fulfill their obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash. The Company limits its exposure to credit risk by dealing with well rated entities. Management believes credit risk to be low as its cash which is held in a major financial institution in the United States.

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. The Company does not have any contractual obligations other than property payments (note 6) and accounts payable and accrued liabilities which are due within the next 12 months. The Company has current assets of \$1,355,174 to settle obligations of \$73,108.

# BOND RESOURCES INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period from July 1, 2020 to December 31, 2020

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### 8. Financial Instruments and Risk Management (continued)

#### (c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

##### *i. Foreign currency exchange risk*

Bond is exposed to foreign currency exchange rate fluctuations as the Company conducts all of its business in Canada.

##### *ii. Interest rate risk*

Interest rate risk is the risk of change in the borrowing rates of the Company. The Company does not have any exposure to changes in interest rates and is therefore not exposed to this risk.

##### *iii. Commodity price risk*

Commodity price risk is the risk of price volatility of commodity prices, such as mineral prices. Currently the Company does not have commercial operations and is therefore not exposed to this risk. Commodity prices generally fluctuate beyond the control of the Company. Factors which contribute to the fluctuation are, but not limited to, demand, forward sales, worldwide production, speculative hedging activities, and bank lending rates.

#### (d) Fair value of financial instruments

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the financial instrument:

- Level 1 fair value measurements are those derived from quoted prices (adjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The carrying value of cash, accounts payable and accrued liabilities approximates fair value due to the short-term nature.

# **BOND RESOURCES INC.**

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

For the period from July 1, 2020 to December 31, 2020

(all amounts are expressed in United States dollars)

(Unaudited)

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### **9. Capital Management**

The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management and approved by the Board of Directors.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and provide returns for shareholders and to facilitate the development of its core business.

The Company considers shareholders' equity to be capital of the Company. The Company does not have any externally imposed restrictions on its capital.

### **10. Acquisition of Hard Cash Property**

In February, 2021, the Company and Winston Gold Corp. ("Winston") (CSE: WGC) have jointly entered into a Lease Agreement, with an option to purchase ("the Agreement") with Montana Reclaim LLC (Lessor) over nine mining claims covering approximately 166 acres in Montana, USA, more commonly known as the Hard Cash property (the "Property"). Bond and Winston will be equal partners in the project. The Hard Cash property is located approximately 3km from Winston's Paradine mill and is west of the small town of Radersburg, Montana.

The Agreement shall remain in effect for an initial term of five (5) years commencing on the date on which the Agreement is signed and shall be renewable for three (3) additional five (5) year terms.

Consideration payable to the Lessor under the Agreement is:

1. an initial cash payment of US\$2,000 (Paid);
2. annual payments by each of Bond and Winston of US\$25,000, payable in shares of Bond and Winston respectively; and
3. US\$25,000 upon the expiry of each five year term.

In addition to the lease payments noted above, by the end of each calendar year commencing in 2021, Bond and Winston must make minimum annual expenditures on the Property of US\$75,000 (the "Annual Expenditure").

The Agreement includes the exclusive option to purchase the Property at any time for \$1,500,000, plus a 3.0% net smelter returns royalty (the "Royalty"), (which increases to a 4.0% NSR Royalty should the price of gold exceed \$2,000 per ounce), in and to all of the minerals produced from the Property.