

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

September 27, 2017

Bonterra Resources Inc. (TSXV: BTR / US: BONXF / FSE: 9BR1) - Initiating Coverage: Expanding Gladiator to a Multi-Million Ounce Deposit

Sector/Industry: Junior Resource

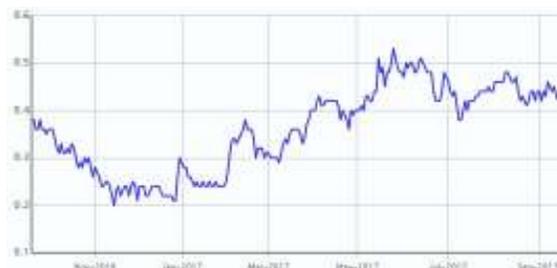
www.bonterresources.com

Market Data (as of September 27, 2017)

Current Price	C\$0.40
Fair Value	C\$1.03
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.21 - C\$0.55
Shares O/S	189.70 M
Market Cap	C\$74.93 M
Current Yield	N/A
P/E (forward)	N/A
P/B	1.3x
YoY Return	9.7%
YoY TSXV	-2.4%

*see back of report for rating and risk definitions.

* All figures in C\$ unless otherwise specified.



Investment Highlights

- Bonterra Resources Inc. (“Bonterra”, “BTR”, “company”) is advancing the 100% owned Gladiator project in Quebec, and the 100% owned Larder Lake project in Ontario.
- The Gladiator project is just 8 km from Osisko Mining’s high-grade Windfall Lake Gold deposit.
- Gladiator has a 2012 high grade inferred resource estimate of 273 Koz at 9.37 gpt, based on a strike length of 200 m and a depth of 200 m.
- Aggressive step out and deep drilling over the past 2 years have significantly expanded the deposit’s dimensions. Mineralization is now identified across a potential strike of approximately 1,200 m, and to a depth of approximately 800 m. Our internal resource estimate is currently 1.5 Moz.
- On September 14, 2017, the company announced the discovery of a new gold and silver zone, 4 km west of the Gladiator deposit. This new zone is speculated to be an extension of the Gladiator mineralized trend.
- The Larder Lake project has a non NI 43-101 compliant indicated resource of 44 Koz at 4.1 gpt, and an inferred resource of 0.92 M oz at 5.55 gpt.
- Since March 2017, Bonterra has raised approximately \$41 million from various financings, including \$5.2 million from Kinross Gold, and \$20 million from Sprott Capital Partners. We consider the strong institutional holding as a major vote of confidence on Bonterra’s management team and the quality of its projects.
- The company will have several upcoming catalysts over the next several months from the ongoing drill program at Gladiator. An updated resource estimate is expected in 2018.
- **We are initiating coverage with a BUY rating and a fair value estimate of \$1.03 per share.**

Risks

- The value of the company is highly dependent on gold prices.
- Exploration and development risks.
- Our internal resource estimate used for valuation on the Gladiator project is significantly higher than the NI 43-101 compliant resource estimate.
- Metallurgical testing has yet to be done on the Gladiator project.
- The company does not have immediate plans for the Larder Lake project.
- Share dilution through future financings.

Key Financial Data (FYE - May 31)

(C\$)	2017
Cash	\$13,687,072
Working Capital	\$12,436,187
Mineral Assets	\$27,565,156
Total Assets	\$41,638,980
Net Income (Loss)	-\$3,381,233
EPS	-\$0.03

Overview

Bonterra Resources, formed in 2007, and based out of Vancouver, BC, Canada, is advancing the 100% owned Gladiator project in Quebec, with the goal of delineating a multi-million old ounce resource. The company also holds a 100% interest in the Larder Lake project in Ontario, which it acquired from Kerr Mines (TSX: KER) in 2016. The projects are located close to several well-known projects, as shown in the map below:



Source: Company

Bonterra’s management team is headed by CEO, Nav Dhaliwal and VP Exploration, Dale Ginn. Mr. Dhaliwal joined the company in 2012, and Mr. Ginn joined in 2015. Mr. Ginn has a strong technical background with multiple gold and base metal discoveries under his belt.

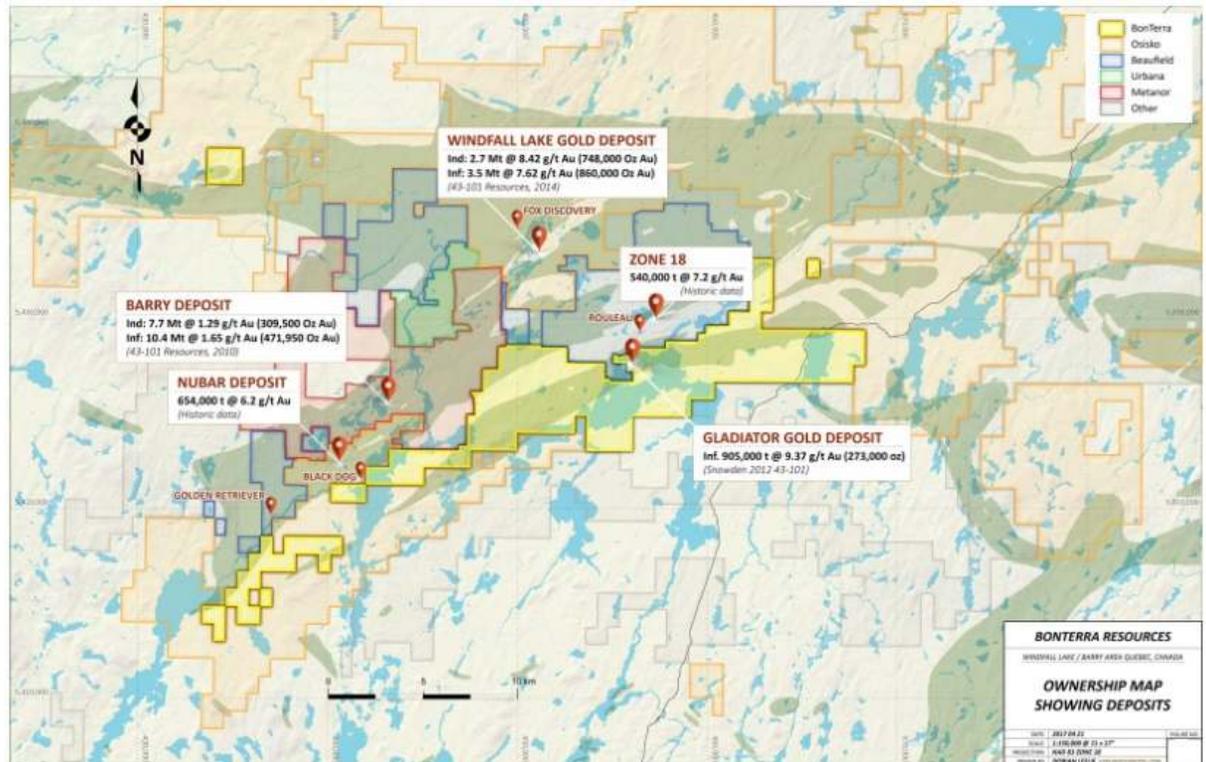
Gladiator Project

Location

The 100% owned 10,541 hectare Gladiator project is located in the middle of the Urban-Barry Greenstone Belt in the eastern Abitibi subprovince in Quebec. The Urban-Barry Greenstone belt is estimated to stretch approximately 135 km east to west, and approximately 4 to 20 km wide. It is part of the world famous Abitibi Greenstone Belt. The Abitibi Greenstone Belt, which extends for over 500 km from northeast Quebec to west of Timmins, Ontario, is one of the richest mining regions, and one of the largest greenstone belts in the world.

The Gladiator project is 170 km northeast of Val-d'Or (4 hour drive), a well-known mining

and exploration centre. The Mattagami Lake VMS camp is located 170 km northwest, and the Chibougamau copper-gold camp is located 130 km to the northeast of the Gladiator project. The following map shows the Gladiator project and other key projects in the region.



Source: Company

Several key players such as Osisko Mining Inc. (TSX: OSK), Beaufield Resources Inc. (TSXV: BFD) and Metanor Resources Inc. (TSX: MTO) hold projects in the region. Most notably, **Osisko’s high grade Windfall Lake Gold deposit is 8 km northwest of the Gladiator project.** Windfall has an indicated resource of 0.75 Moz at 8.42 gpt gold, and an inferred resource of 0.86 Moz at 7.62 gpt gold. A 2015 Preliminary Economic Assessment (“PEA”) indicated an after-tax Net Present Value (“NPV”) at 5% of \$135 million, and an after-tax Internal Rate of Return (“IRR”) of 17.2%, based on a gold price of US\$1,200 per oz and a 8 year mine life. The other key highlights of the PEA were a high recovery rate of 95.7%, a low average life of mine cash cost of US\$471 per oz, and an initial CAPEX of US\$207 million.

Another key deposit in the region is the Barry Deposit, owned by Metanor. This project has a measured and indicated resource of 0.31 Moz at 1.13 gpt, and an inferred resource of 1.05 Moz at 1.02 gpt gold.

Ownership

The Gladiator Project is primarily comprised of three properties, namely West Arena, East Arena, and the Coliseum Properties in the Urban, Barry and Bailly townships, respectively. Bonterra acquired these properties in 2010 at very reasonable valuations, as per below:

- **Coliseum Property** - \$20k cash, \$155k in shares, and incurring \$140k of exploration expenditures. The property is subject to a 2% net smelter return royalty, of which, 0.5% can be purchased for \$1 million.
- **West Arena Property** - \$10k cash, 87.5k shares, and incurring \$750k of exploration expenditures. The property is subject to a 3% net smelter returns royalty, of which, 1% can be purchased for \$0.5 million.
- **East Arena Property** – \$35k cash and \$0.86 million in shares. The property is subject to a 2% NSR, of which, 1% may be purchased for \$1 million.

Subsequently, in 2016, the company expanded their land holdings to 10,541 hectares by acquiring several other properties in the region.

Geology and History

The Urban-Barry Greenstone Belt is comprised of felsic to mafic volcanics, sediments, and intermediate to mafic intrusions. Gold is primarily found in smoky quartz veins along the contact of a single sheared and altered syenite porphyry dyke. The width of veins typically ranges between 20 cm and 4 m. **The dyke and associated mineralized zones have been so far defined to a strike length of over 1,200 m, and to a vertical depth of over 800 m.** The deposit is open along strike and at depth.

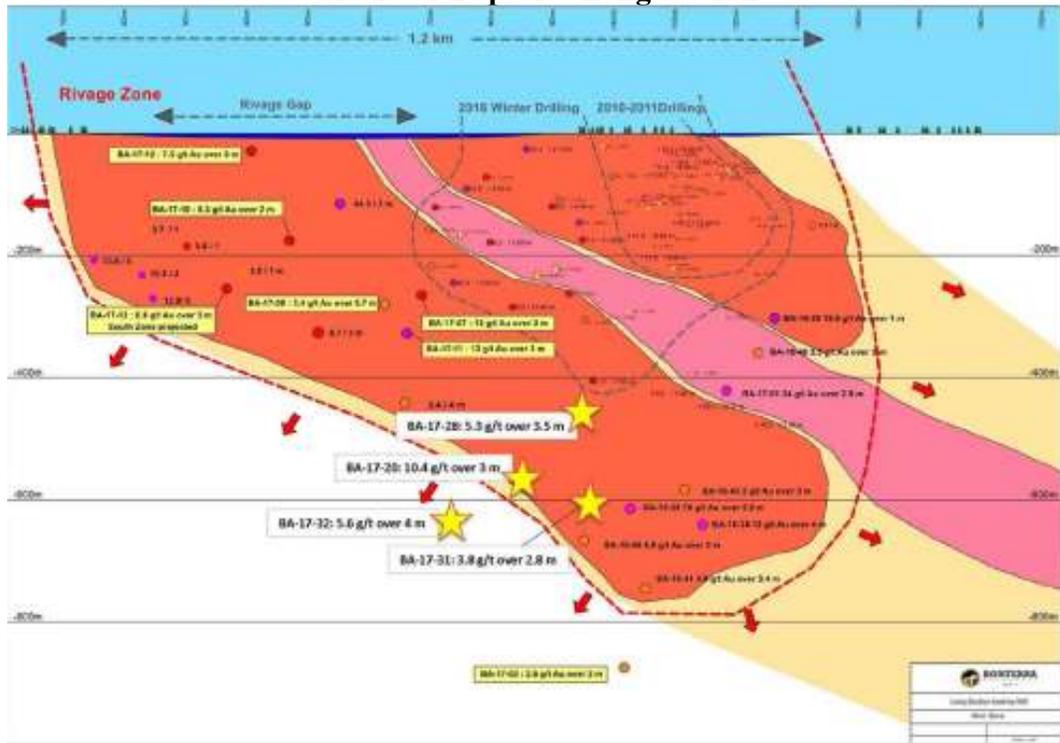
The property was largely under explored prior to Bonterra’s acquisition. Upon taking over, Bonterra conducted a nine-hole drill program in 2010 on the Eastern Extension. This was followed by a 40-hole drill program (14,296 m) in 2011, which resulted in an initial NI 43-101 compliant resource estimate on the Eastern Extension. **The estimate showed a high grade inferred resource of 273 Koz at 9.37 gpt, at a 4 gpt cut-off.** The technical report was published in 2012 by Snowden Mining Consultants.

Eastern Extension Inferred Mineral Resource (2012)

Cut-off Grade (gpt)	Tonnage	Grade (gpt)	Au (1,000s of oz)
1	4337	3.53	492
2	2266	5.29	385
3	1170	7.97	300
4	905	9.37	273
5	863	9.5	264
6	778	9.94	249
7	673	10.46	226
8	51	11.44	189
9	409	12.27	161

This initial resource estimate was based on a strike length of 200 m and depth of 200 m. **Since then, the company has significantly expanded the dimensions through aggressive step out and deep holes.** The following image shows the initial resource (marked as 2010 – 2011 drilling), and the extensive drilling conducted in the past two years, which has identified mineralization across a potential strike of approximately 1,200 m, and to a depth of approximately 800 m.

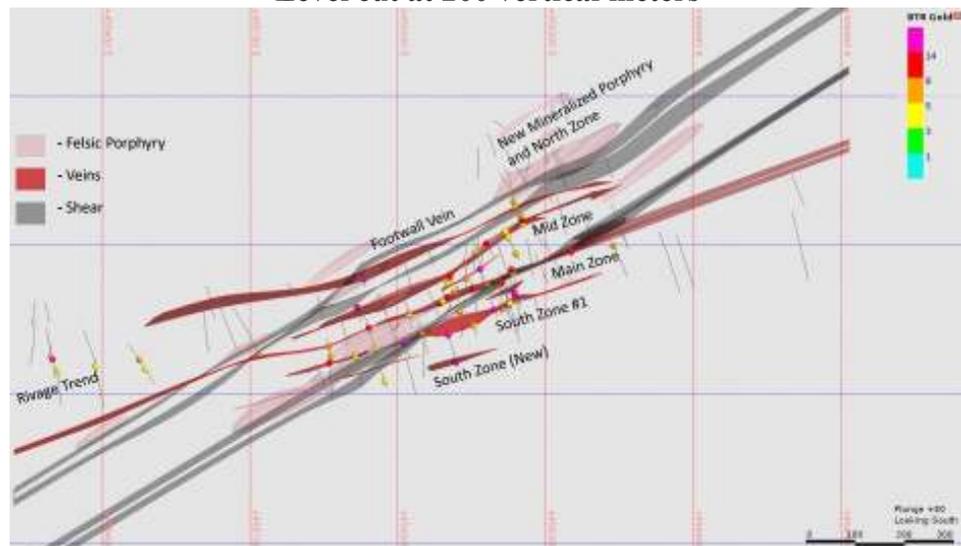
Gladiator Deposit - Long Section



Source: Company

At least six sub-parallel zones (stacked lenses) have been identified to date. **Recent drilling has confirmed continuity of the mineralization in the Rivage Gap area, which is the area between the Gladiator deposit and the Rivage zone to the west (see image above).** Results confirm that two of the five identified zones (the Main zone and the Footwall zone) have a strike length of over 1,000 m. The following image shows the positioning of the six zones.

Level cut at 200 vertical meters



Source: Company

The following table shows a summary of the key drilling results since 2015. Notice the multiple high-grade intercepts across long intervals.

Hole	Length (m)	Grade (gpt)
BA-15-01A	6.60	14.0
BA-15-02	7.70	7.2
BA-15-04	1.30	8.0
BA-16-01	1.00	5.2
BA-16-02	5.00	15.3
BA-16-03	5.00	9.0
BA-16-04	6.00	10.4
BA-16-05	3.30	29.0
BA-16-07	3.00	20.7
BA-16-09	5.70	24.3
BA-16-10	3.00	27.5
BA-16-11	1.70	13.6
BA-16-14	3.50	12.0
BA-16-15	2.60	8.6
BA-16-17	3.00	15.0
BA-16-19	2.50	137.4
BA-16-26	1.00	19.6
BA-16-27	3.30	2.9
BA-16-27	3.00	2.6
BA-16-29	1.00	4.8
BA-16-30	3.00	4.7
BA-16-31	5.40	1.7
BA-16-38	4.00	12.4
BA-16-38	2.00	24.3
BA-16-39	10.00	1.5
BA-16-39	5.50	70.0
BA-16-39	2.00	191.4
BA-16-39	5.00	3.1
BA-16-40	2.00	64.3
BA-16-42	3.00	8.7
BA-16-47	1.00	5.6
BA-16-48	3.80	16.8
BA1-17-01	8.50	15.7
BA1-17-01	5.00	20.7
BA 1-17-04	4.20	9.5
BA 1-17-04	4.00	10.0
BA1-17-05	5.00	23.6
BA1-17-05	6.00	41.0
BA 1-17-07	3.00	12.0
BA 1-17-09	1.80	9.0
BA 1-17-10	3.50	8.4
BA 1-17-11	3.60	12.7
BA 1-17-12	2.00	11.1
BA 1-17-12	3.00	8.8
BA 1-17-15	4.00	9.1
BA 1-17-20	3.00	10.4
BA1-17-21	3.00	21.6
BA 1-17-22	3.80	11.9
BA 1-17-23	3.00	10.1
BA 1-17-24	3.00	5.2
BA 1-17-28	3.50	5.3
BA1-17-31	8.30	5.1
BA 1-17-32	4.00	5.5

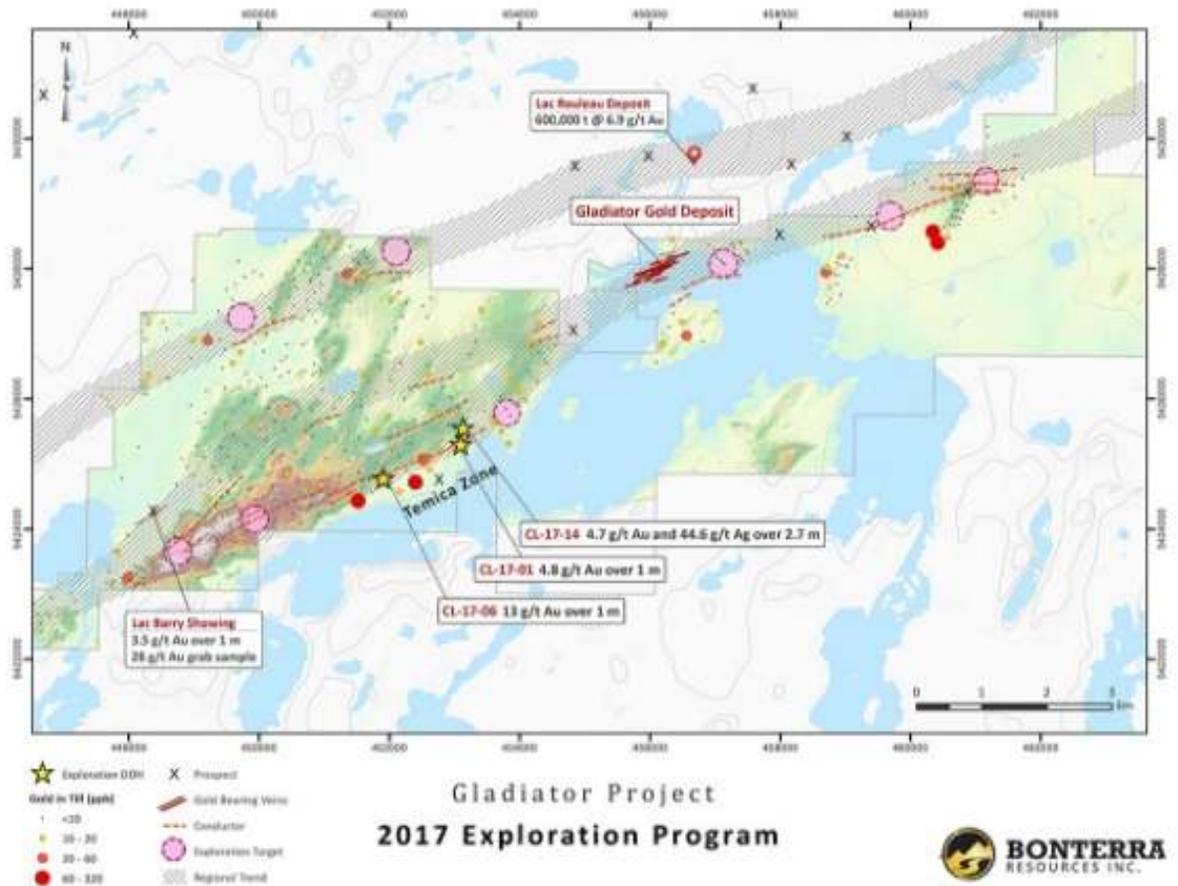
Source: Company

On September 14, 2017, the company announced the discovery of a new gold and silver zone at the Coliseum property, 4 km west of the Gladiator deposit. Results from the first three holes gave highly encouraging results. This drilling was prompted by previous ground geophysics and a till sampling program at the Coliseum property, which indicated anomalies similar to the Gladiator deposit. Hole 17-14 intersected **4.7 g/t Au and 44.6 g/t Ag over 2.7 m** at a depth of 250 m below surface. The following table shows a summary of the results from the three holes, which were spread out over a 1 km strike.

Hole	From (m)	To (m)	Length (m)	Grade (g/t Au)	Grade (g/t Ag)
CL-17-14	394.5	397.2	2.7	4.7	44.6
CL-17-06	351.0	352.0	1.0	13.0	
CL-17-01	64.0	65.0	1.0	4.8	

Source: Company

The reason why this discovery is highly exciting is that the new zone, named the Temica Gold zone, is speculated to be an extension of the Gladiator mineralized trend. The following image shows the location of the Temica zone drill holes relative to the Gladiator deposit.



The company is planning to drill a total of 50,000 m in 2017, of which, 40,500 m has been completed to date. At the Gladiator deposit, where the mineralization remains open in all directions, the company will continue to focus on infill drilling at the Rivage Gap to potentially join the Gladiator deposit to the Rivage zone.

The following tables shows our very preliminary internal resource estimate (excluding any upside from the new discovery at Coliseum) based on the drilling results announced to date.

	Avg. Strike (m)	Avg. Width (m)	Avg. Depth (m)	No. of Zones	Tonnage (Mt)	Grade	Au (Moz)
<u>2012 NI43-101</u>	200	2.5	200	5	0.91	9.37	0.3
<u>FRC Est.</u>	1,000	2.5	600	5	13.65	7.00	3.1
<u>Discount</u>							50%
<u>FRC Est. (net)</u>							1.5

No mineral processing and metallurgical testing have been conducted on the project to date.

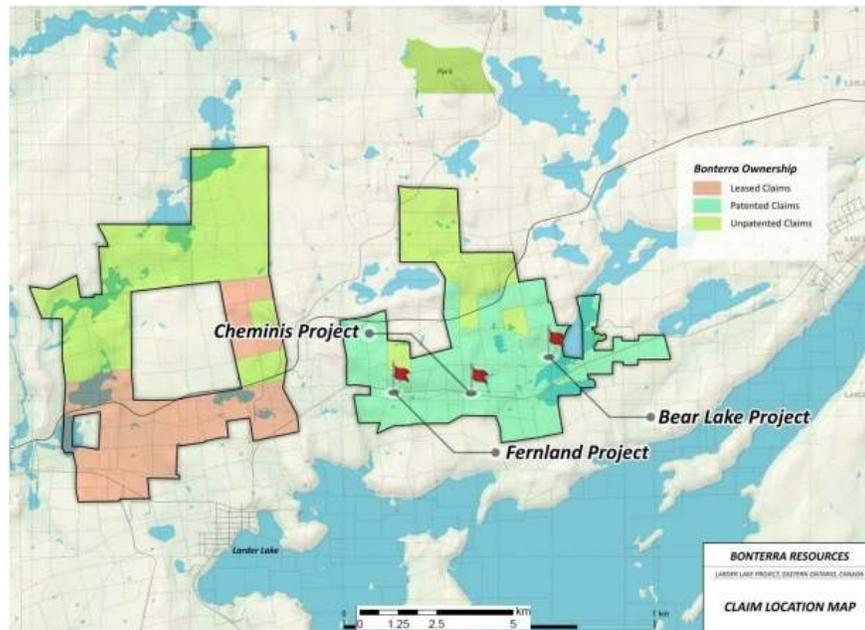
Larder Lake, Ontario

Our discussions with management indicated that they intend to assign all of their focus and resources on the Gladiator project in the near-term and complete an updated resource estimate in 2018.

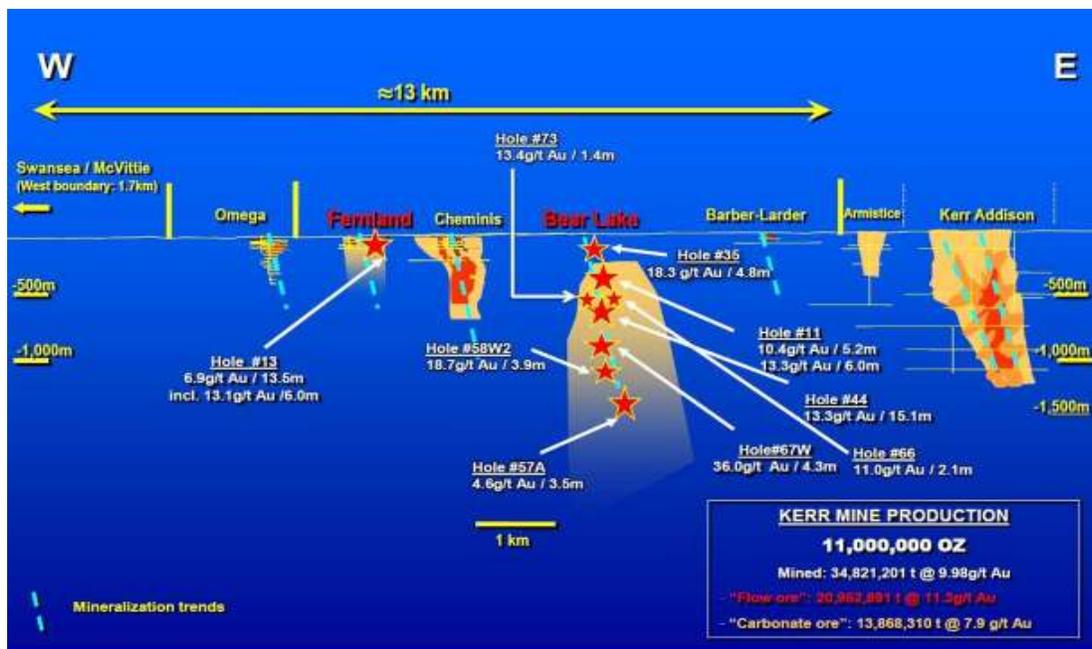
Bonterra entered into an option to acquire a 100% interest in the project in 2016 from Kerr Mines. The company subsequently exercised its option for a price of 10 million shares valued at \$3.80 million, and \$1.15 million in cash. The total purchase price of \$4.95 million reflected an acquisition price of just \$4 per oz considering a historic resource on the project of approximately 960 Koz.

The Larder Lake project is located in the McVittie and McGarry Townships in eastern Ontario. It is just 7 km west of the Kerr Addison Mine, which produced 11 Moz of gold.

The project includes the Bear, Cheminis and Fernland gold deposits that extend along 9 km of the Cadillac/Larder Lake break.



Source: Company



Source: Company

A key highlight of the project is its good infrastructure, with a paved highway and a power line through the length of the property.

The Cheminis property has had historic production totaling 260,000 tons at an average recovered grade of 0.104 opt.

A non NI43-101 compliant resource estimate calculated in 2011 showed an indicated resource of 44 Koz at 4.1 gpt, and an inferred resource of 0.92 M oz at 5.55 gpt, across the Bear Lake deposit and the Cheminis Deposit. The resource was calculated based on a 2.5 gpt cut-off and a gold price of US\$1,207 per oz.

Resource Estimate (2011 – Non NI 41-101 compliant)

Classification	Tonnes	Grade (Au g/t)	Contained Ounces Au
Indicated	335,000	4.07	43,800
Inferred	5,141,000	5.55	917,000

The project was previously optioned by Gold Fields (JSE: GFI) from 2012 to 2015. Gold Fields had conducted \$7 million of exploratory work including 25,000 m of drilling. Bonterra intends to upgrade the existing resource to NI 43-101 standards based on Gold Fields’ drilling data. **Management believes that that there is a good potential that the three deposits are part of a single 4 km long deposit.**

Larder Project – General Long Section looking north



Source: Company

The company has not announced any immediate plans for this project.

Management

Management and board members hold 1.75 million shares, or 1% of the total outstanding shares. In addition, key investors and institutions hold another 66.39 million shares, or 35% of the total. **We consider the strong institutional holding as a major vote of confidence in Bonterra’s management team and the quality of its projects.**

Name	Shares	% of Total
Nav Dhaliwal	1,498,675	0.79%
R. Dale Ginn	75,000	0.04%
P. Joseph Meagher	20,000	0.01%
Robert Gagnon	-	-
Richard Boulay	30,000	0.02%
Allan J. Folk	125,000	0.07%
Total	1,748,675	0.9%

Institutions / Key Investors	Shares	% of Total
Sprott, Eric S.	19,044,500	10.04%
VanEck	14,634,000	7.72%
Kirkland Lake Gold	17,857,000	9.42%
Kinross Gold	14,857,400	7.84%
Total	66,392,900	35.0%

Management / Directors and Institutions	68,141,575	35.9%
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Brief biographies of the management team and board members, as provided by the company, follow:

Nav Dhaliwal - President & Chief Executive Officer

Mr. Dhaliwal brings a wealth of entrepreneurial, sales, and financing experience. He is particularly adept at nurturing early stage companies through their critical phases of evolution, having founded a number of companies over his career. Mr. Dhaliwal is also very experienced in corporate development, corporate communications and investor relations, bringing valuable business relationships with international analysts, brokers and investment bankers from Canada, the United States and Asia.

Dale Ginn, B.Sc., P.Geo. - VP of Exploration & Director

Mr. Ginn is an experienced mining executive and geologist of nearly 30 years. He is the founder of a number of exploration and mining companies and has led and participated in numerous gold and base metal discoveries, many of which are in production today. While specializing in complex, structurally-controlled gold deposits, he also has extensive mine-operations, development and startup experience. Mr. Ginn is recognized as an advocate of First Nations and local community participation in mining and exploration. Mr. Ginn’s career has included mine and exploration geology, mine management and various executive roles. Dale has held senior positions with Sprott Mining, Jerritt Canyon Gold and was a founder of San Gold Corporation. Prior to that, he held positions with Harmony Gold Mining, Hudbay, Westmin, Goldcorp and Granges Exploration. Mr. Ginn is a registered professional geologist in Manitoba and Ontario and is a graduate of the University of Manitoba.

Richard Boulay, B.Sc - Director

Over 40 years of experience in the exploration and mining industries in Canada and internationally, including 15 years of mining and infrastructure financing experience gained with Bank of Montreal, Royal Bank of Canada and Bank of Tokyo. He has extensive experience in the management and financing of public companies in Canada and the United States. He is also a Director of Moneta Porcupine and Latin American Minerals Inc.

Robert Gagnon, Geo. - Director

Mr. Gagnon has +10 Years as a professional geologist, earning his Mining Techniques Diploma from the Collège de la Région de l'Amiante (1995) . Ordre des géologues du Québec (circa 2002), Board of Directors of the Quebec Mineral Exploration Association (circa 2009). President of the Association des prospecteurs du Nord du Québec (circa 2012) BSc., Geology from the University of Quebec (1999)

Joseph Meagher - Chief Financial Officer & Director

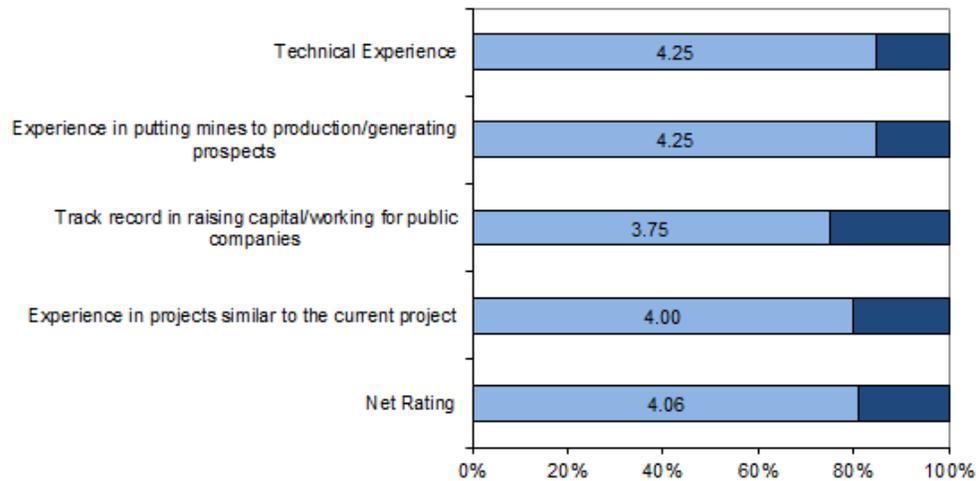
Mr. Meagher is a Director at Triumvirate Consulting Corp., a financial consulting firm, where he specializes in accounting and financial reporting. Mr. Meagher currently serves as the Chief Financial Officer and a Director for several publicly listed companies. Prior to joining Triumvirate, Mr. Meagher worked at Smythe Ratcliffe LLP as a manager focusing on publicly listed and private company audits, as well as staff training and development. He was a member of Smythe Ratcliffe's IFRS conversion team as well as a technical reviewer for complex accounting topics. Mr. Meagher holds a CPA, CA designation and a Bachelor of Commerce from the University of British Columbia.

Allan J. Folk - Director

Mr. Folk brings over 35 years of extensive leadership experience in the Canadian mining finance industry. During his career, he has financed and advised both junior and advanced Canadian companies at the senior board or executive level. Mr. Folk is a graduate of the University of Wisconsin, and currently is Vice President of Brant Securities Ltd. He is also a director of Barkerville Gold Mines Ltd., Interim CEO of Monarca Minerals Inc. and is the Chairman of Atlanta Gold Inc.

Our net rating on the company's management team is 4.1 out of 5.0 (see below).

Management Rating



The company’s board has six members, of which, three are independent. We believe that the Board of Directors of a company should include independent or unrelated directors who are free of any relationships or business that could materially interfere with the director’s ability to act in the best interest of the company. An unrelated/independent director can be a shareholder. The following table shows our analysis on the strength of the company’s board.

	Poor	Average	Good
Three out of six directors are independent		X	
One director holds significant shares of the company		X	
The Audit committee is composed of 3 board members, 2 are independent		X	
The Management Compensation committee is composed of 3 board members, 2 are independent		X	

Financials

At the end of FY2017 (ended May 31, 2017), the company had cash and working capital of \$13.69 million and \$12.44 million, respectively. We estimate the company had a burn rate (cash spent on operating and investing activities) of \$1.11 million per month in FY2017. The following table summarizes the company’s liquidity position:

(in C\$)	2016	2017
Cash	\$351,029	\$13,687,072
Working Capital	-\$230,529	\$12,436,187
Current Ratio	0.73	8.77
LT Debt / Assets	-	-
Monthly Burn Rate (incl. investing activities)	\$565,293	\$1,114,462
Cash from Financing Activities	\$7,035,940	\$26,709,591

Since March 2017, the company raised a total of \$41 million from various financings, including \$5.2 million from Kinross Gold (TSX: K), and \$20 million from Sprott Capital Partners.

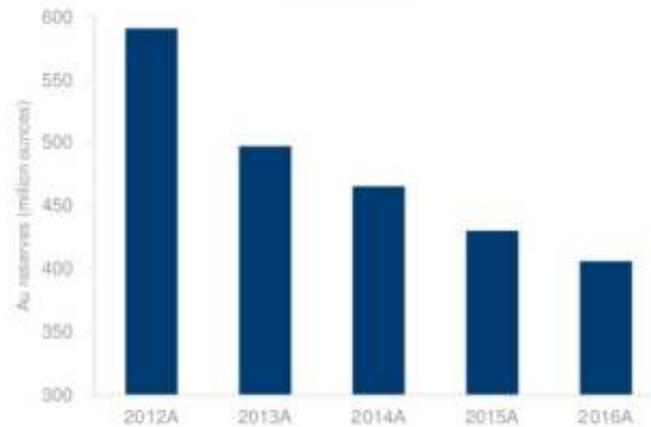
Recent Financings					
Investors	Closing Date	Securities Issued	Shares	Price	Gross Amount
Public Offering	2-Mar-17	Flow-Through	11,000,000	\$0.35	\$3,850,000
Public Offering	2-Mar-17	Common Shares	36,160,000	\$0.28	\$10,124,800
Public Offering	13-Mar-17	Common Shares	3,660,000	\$0.28	\$1,024,800
Kinross	27-Mar-17	Common Shares	14,857,400	\$0.35	\$5,200,090
Sprott Capital Partners	30-Jun-17	Flow-Through	17,857,000	\$0.84	\$14,999,880
Sprott Capital Partners		Common Shares	10,000,000	\$0.50	\$5,000,000
		Exercise of Warrants	1,938,500	\$0.35	\$677,225
		Exercise of Options	400,000	\$0.22	\$88,000
			95,872,900		\$40,964,795

We estimate the company currently has 12 million options outstanding (weighted average exercise price of \$0.39 per share) and 18 million warrants (weighted average exercise price of \$0.40 per share) outstanding. **Approximately 2.4 million options and 7 million warrants are currently in the money, indicating that the company can raise up to \$2.26 million if all these options and warrants are exercised.**

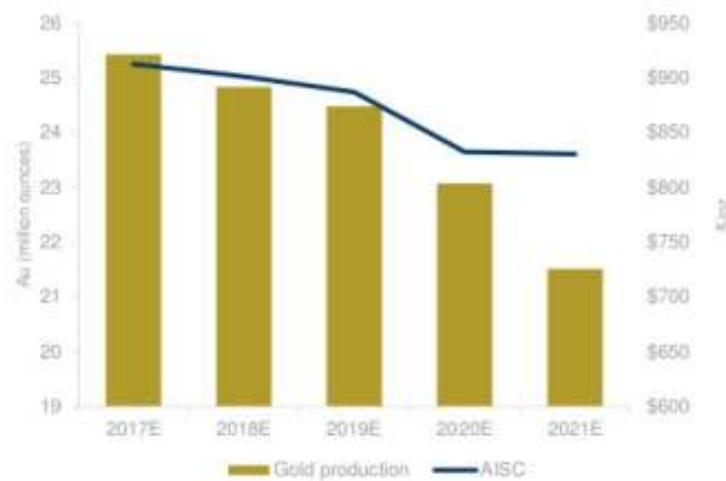
The industry has been experiencing a trend of declining reserves and production (see charts below), which we believe will encourage larger companies to seek high-quality and undervalued assets to add to their portfolios. The following charts show the combined production and gold reserves of the major gold producers:

Valuation & Rating

Gold Reserves (in Moz)



Production (in Moz)



Source: Goldcorp Inc.

The above charts include production and reserve data of Goldcorp (TSX: G), Barrick (TSX: ABX), Newmont (NYSE: NEM), Newcrest (ASX: NCM), Agnico Eagle (NYSE: AEM), Kinross (TSX: K), Yamana (TSX: YRI), AngloGold (JSE; ANG), Gold Fields (JSE: GFI) and Harmony Gold (JSE: HAR).

In July 2017, Eldorado Gold (TSX: ELD) acquired Integra Gold (TSXV: ICG) for \$590 million. Integra held the Lamaque project near Val-d'Or. The project has an indicated resource of 1.04 Moz at 7.24 gpt and inferred resource of 1.18 Moz at 6.80 gpt. **We believe this is encouraging for juniors, such as BTR, as the acquisition shows the attractiveness and marketability of high grade, low tonnage projects in the current environment.**

The following table compares BTR to several other junior resource companies.

	Company	Net Resource ²	Enterprise Value (\$,M)	EV / Resource
1	Probe Metals Inc.	385,000	\$118.20	\$307.01
2	Osisko Mining	4,330,000	\$705.60	\$162.96
3	Monarques Gold	308,236	\$43.70	\$141.77
4	Gowest Gold Ltd.	799,500	\$64.70	\$80.93
5	Marathon Gold Corp.	1,771,450	\$131.00	\$73.95
6	Cartier's Resources ¹	475,994	\$32.20	\$67.65
7	Eastmain Resources, Inc.	1,058,500	\$50.10	\$47.33
8	Aurvista Gold Corporation	1,406,500	\$43.30	\$30.79
9	Bonterra Resources ¹	2,010,800	\$50.95	\$25.34
10	Alexandria Minerals Corporation	1,774,587	\$21.30	\$12.00
11	Moneta Porcupine Mines Inc.	2,693,000	\$30.80	\$11.44
	Average			\$87.38

1. FRC internal resource estimates

2. Net Resource = 100% of Measured and Indicated + 50% of Inferred Resources

BTR's Resources (FRC estimate)	2,010,800
Average EV/ Resource Ratio (comparables)	\$87
Fair Value of Assets	\$175,700,852
Working Capital after current drilling (FRC estimate)	\$23,978,338
Fair Value of BTR Shares	\$199,679,190
No. of Shares (calculated based on the treasury stock method)	193,352,700
Fair Value per Share	\$1.03

We have assigned a total resource of 2.01 Moz for BTR based on our internal resource estimate of 1.5 Moz on Gladiator, and 50% of the historic resources at Larder Lake. Based on these estimates, we believe BTR's shares are currently trading at an Enterprise Value ("EV") to resource of \$25 per oz versus the comparables average of \$87 per oz. Applying the comparables average multiple, we arrived at a fair value estimate of \$1.03 per share on BTR's shares.

We believe the next 6 to 12 months will be exciting as we receive more clarity on the true upside potential of the Gladiator project. Continued success will significantly improve the company's prospects as an attractive acquisition target, making it an attractive value proposition for larger gold companies seeking to expand and/or diversify their portfolios.

We are initiating coverage with a BUY rating a fair value estimate of \$1.03 per share.

We believe the company is exposed to the following key risks (not exhaustive):

- The value of the company is highly dependent on gold prices.

Risks

- Exploration and development risks.
- Our internal resource estimate used for valuation on the Gladiator project is significantly higher than the NI 43-101 compliant resource estimate.
- Metallurgical testing has yet to be done on the Gladiator project.
- The company does not have immediate plans for the Larder Lake project.
- Share dilution through future financings.

As with most junior resource companies, we rate Bonterra's shares a risk of 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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