

O3 MINING INC. (FORMERLY CHANTRELL VENTURES CORP.)

INTERIM MD&A – QUARTERLY HIGHLIGHTS

For the three and six month period ended June 30, 2019

(Expressed in Canadian dollars)

Dated: August 13, 2019

INTRODUCTION

The following Management Discussion & Analysis – Quarterly Highlights (“Quarterly Highlights”) of O3 Mining Inc., formerly Chantrell Ventures Corp. (*the “Company” or “O3 Mining”*) has been prepared to provide material updates to the business operations, liquidity and capital resources of the Corporation since its last management discussion & analysis, being the Management Discussion & Analysis (“Annual MD&A”) for the fiscal year ended December 31, 2018. This Quarterly Highlights does not provide a general update to the Annual MD&A, or reflect any non-material events since date of the Annual MD&A.

This Quarterly Highlights has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with Annual MD&A, the audited financial statements of the Company for the years ended December 31, 2018 and 2017 and the unaudited interim financial statements for the three and six month periods ended June 30, 2019, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the and six month periods ended June 30, 2019 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at August 13, 2019 unless otherwise indicated.

The unaudited interim financial statements for the three and six month periods ended June 30, 2019, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting.

External auditors, appointed by the shareholders, have not audited or reviewed the financial statements for the three and six month periods ended June 30, 2019 and did not performed the tests deemed necessary to enable them to express an opinion on these unaudited financial statements.

For the purposes of preparing this Quarterly Highlights, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of O3 Mining’s common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on O3 Mining Inc. SEDAR profile at www.sedar.com.

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CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Highlights includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. In the event that the Company is able to acquire a suitable mining property, such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of O3 Mining to fund the capital and operating expenses necessary to achieve the business objectives of O3 Mining, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

CORPORATE OVERVIEW

O3 Mining Inc., formerly Chantrell Ventures Corp., is a public company incorporated under the laws of the Province of Alberta on July 29, 2004 and continued into the Province of Ontario under the *Business Corporations Act* on July 5, 2019. As at June 30, 2019 Chantrell Ventures Corp., was listed on the NEX board of the TSX Venture Exchange under the symbol CV.H. As from July 9, 2019, O3 Mining is listed on the NEX board of the TSX Venture Exchange under the symbol CVE: OIII.

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2019 HIGHLIGHTS

Osisko Transaction and Financing

On February 19, 2019, the Company entered into a binding letter agreement (the “Letter Agreement”). The Letter Agreement outlined the terms and conditions upon which Osisko Mining Inc. (“Osisko”) effected a business combination that resulted in a reverse takeover of the Company by Osisko (the “Transaction”), which closed on July 5, 2019, subsequent to June 30, 2019. Pursuant to the Transaction, Osisko transferred certain non-core assets of Osisko with a value of approximately \$99.9 million to the Company in exchange for 24,977,898 post-consolidation shares of the Company. In connection with the Transaction, Chantrell also, among other things: (i) changed its name to “O3 Mining Inc.”; (ii) replaced all directors and officers of the resulting issuer; (iii) obtained conditional listing approval for the listing of the resulting issuer on the TSX Venture Exchange; (iv) consolidated the common shares of the resulting issuer on a 40:1 basis, subject to adjustment; (v) continued from British Columbia to Ontario; and (vi) completed the conversion of the outstanding subscription receipts of Chantrell for the underlying securities.

As part of the Transaction, on February 21, 2019, the Company entered into an agreement with Canaccord Genuity Corp. (the “Lead Underwriter”) and a syndicate of underwriters (together with the Lead Underwriter, the “Underwriters”) to issue, on a bought deal private placement basis, subscription receipts (the “Subscription Receipts”) at a price of \$3.88 per Subscription Receipt (the “Issue Price”) in the capital of the Company (the “Offering”).

Each Subscription Receipt was automatically converted, without payment of additional consideration, into one post-consolidation unit in the capital of the Company (a “Unit”) in connection with the completion of the business combination between the Company and Osisko that resulted in a reverse takeover of the Company by Osisko and formed a new company named O3 Mining Corporation (the “Resulting Issuer”).

The net proceeds of the Offering were held in escrow pending satisfaction of the escrow release conditions which included completion of the Transaction. Each post-consolidation Unit was comprised of one post-consolidation common share and one post-consolidation warrant. Each post-consolidation warrant will be exercisable to acquire one additional post-consolidation common share (a “Warrant Share”) for a period of 36 months following the effective date of the Transaction at an exercise price of C\$4.46 per Warrant Share.

On March 27, 2019, the Company closed the first tranche of its Offering of Subscription Receipts. The Company issued an aggregate of 4,571,100 Subscription Receipts at a price of \$3.88 per Subscription Receipt for proceeds of \$17,735,868. On June 27, 2019, the Company closed the second tranche of its Offering of Subscription Receipts. The Company issued an aggregate of 200,942 Subscription Receipts at a price of \$3.88 per Subscription Receipt for proceeds of \$779,655.

The gross proceeds of the Offering (the “Escrowed Proceeds”) were deposited into escrow with Computershare Trust Company of Canada as escrow agent and were released on the closing of the Transaction, being July 5, 2019.

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For their services in connection with the completion of the Offering, the Underwriters received: (i) a cash commission equal to 5.0% of the aggregate gross proceeds and (ii) broker warrants (the “Broker Warrants”), representing 5% of the Subscription Receipts issued pursuant to the total Offering. Each Broker Warrant is exercisable for one Common Share at a price of \$3.88 for a period of 18 months following the closing of the Transaction.

On closing of the transaction, the Company purchased the outstanding post-consolidation options of 44,500 from the option holders, being all the outstanding options as at July 5, 2019 for proceeds of \$83,671 and cancelled these options immediately.

Property Agreement

On July 2, 2019 the Company entered into a binding share purchase agreement (“SPA”) with Chalice Gold Mines Limited (“Chalice”) to acquire Chalice’s wholly-owned subsidiary Chalice Gold Mines (Quebec) Inc. (“CGMQ”). CGMQ is the registered holder of the East Cadillac and Kinebik Gold Projects in Quebec, Canada. CGMQ also holds the underlying Option Agreements on the East Cadillac Gold Project with Globex Mining Enterprises Inc. and Renforth Resources Inc.

The transaction closed on July 25, 2019 and under the SPA, Chalice sold all the outstanding shares in its wholly owned subsidiary CGMQ, to the Company. Chalice received 3,092,784 post-consolidation common shares of the Company, at a deemed value of C\$3.88 per common share, for a total of C\$12 million in consideration. In accordance with the restrictions under Canadian securities laws and subject to certain exceptions, Chalice will be restricted from trading these shares for a period of four months from the date of issuance.

Chalice retains a 1.0% NSR royalty on all 100% owned claims on both projects that are not subject to a pre-existing royalty. CGMQ currently has approximately C\$1.3 million in tax credits and, under the SPA, the Company will reimburse Chalice any amounts received, provided that such amounts are received from Canadian tax authorities during an agreed post-closing period.

Alexandria Agreement

On August 1, 2019, O3 Mining completed its previously announced business combination with Alexandria Mineral Corporation (“Alexandria”), pursuant to which O3 Mining acquired all the common shares of Alexandria by way of a statutory plan of arrangement under the Canada Business Corporations Act. Under the terms of the arrangement, each former shareholder of Alexandria received 0.018041 common share of O3 Mining on a post-Consolidation basis in exchange for each common share of Alexandria held. The deemed purchase price was \$0.07 per common share of Alexandria, which was based on the \$3.88 subscription receipt financing completed by O3 Mining.

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OVERALL PERFORMANCE

The Company has no revenues, so its ability to ensure continuing operations is its ability to obtain necessary financing to complete the acquisition and development of potential mining properties.

The net loss and comprehensive loss for the three months ended June 30, 2019 was \$69,517 (\$0.12 per post-consolidation share) as compared to \$68,407 (\$0.15 per post-consolidation share) for the three months ended June 30, 2018. Net loss and comprehensive loss is comparable to the prior year as expected, except for the decrease in share based compensation to \$Nil (2018 - \$35,000). These share based compensation costs decreased as the Company did not issuing any options during the three months ended June 30, 2019 as compared to 23,750 post-consolidation options in the same period in 2018.

The net loss and comprehensive loss for the six months ended June 30, 2019 was \$95,658 (\$0.16 per post-consolidation share) as compared to \$99,648 (\$0.21 per post-consolidation share) for the six months ended June 30, 2018. Net loss and comprehensive loss is comparable to the prior year as expected, except for the decrease in share based compensation to \$Nil (2018 - \$35,000). These share based compensation costs decreased as the Company did not issuing any options during the six months ended June 30, 2019 as compared to 23,750 post-consolidation options in the same period in 2018.

LIQUIDITY AND FINANCIAL CONDITION

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2019, the Company had a working capital deficiency of \$37,294 (December 31, 2018 - working capital of \$58,364), consisting of current assets of \$1,438,637 (December 31, 2018 - \$103,514) compared to current liabilities of \$1,475,931 (December 31, 2018 - \$45,150). On closing of the Transaction on July 5, 2019, the company obtained access to the Escrowed Proceeds of approximately \$18 million and marketable securities transferred from Osisko with a value of approximately \$14 million. This strengthens the Company's working capital position and the ability of the Company to continue to pursue its activities and continue as a going concern. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company currently is not able to internally finance on-going operating costs of its businesses over the long term and therefore will require additional financing by means of issuing share capital, advances from related parties, or other sources. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. In addition, the Company will require additional financing in order to assist in the search, and, if warranted, acquisition of a business opportunity. There can be no certainty of the Company's ability to raise additional financing through private placements, advances from related parties, or other sources to fund these activities. Consequently, the Company is subject to liquidity risks.

These unaudited interim financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially

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different from carrying values as shown and the Company's unaudited interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

For the six month period ended June 30, 2019, the Company had an opening cash balance of \$92,767 (Year ended December 31, 2018 - \$9,070). The cash balance decreased by \$35,193 (Year ended December 31, 2018 – increase \$83,697) mainly from the operating loss for the six month period ended June 30, 2019 of \$95,658 (Year ended December 31, 2018 – \$165,490), offset from the net proceeds of a private placement in the current year of \$Nil (Year ended December 31, 2018 – \$264,400).

As at June 30, 2019, the Company had a working capital deficiency of \$37,294 (December 31, 2018 - working capital of \$58,364), had not yet achieved profitable operations, had accumulated losses of \$5,027,578 (December 31, 2018 - \$4,931,920) and expects to incur further losses in the development of its business, all of which casts significant doubt upon the Company's ability to continue as a going concern. Subsequent to six month period ended June 30, 2019, the Company completed a financing for gross proceeds of approximately \$18.5 million. This financing will be used to fund operations going forward. See 2019 Highlights above for further information on the financing.

RELATED PARTY TRANSACTIONS

Certain corporate entities and consultants that are related to the Company's officers and directors or persons holding more than 10% of the issued and outstanding shares of the Company provide consulting and other services to the Company. All transactions were conducted in the normal course of operations and are measured at the exchange amounts.

For the six month period June 30,

Balances:

Employee salaries

Total compensation paid to key management

	<u>2019</u>	<u>2018</u>
	\$ 30,000	\$ 30,000
	\$ 30,000	\$ 30,000

As at June 30, 2019, the Company had \$68,000 (December 31, 2018 - \$31,000) in trade and other payables due to an officer and director of the Company and a company controlled by an officer and director of the Company.

RISKS AND UNCERTAINTIES

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risks and Uncertainties" in the Company's Annual MD&A for the fiscal year ended December 31, 2018, available on SEDAR at www.sedar.com, which includes, but are not limited to, certain of these risk factors.

Dated this 13th day, of August, 2019.