



(formerly "Chantrell Ventures Corp.")

Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2019 and September 30, 2018

Presented in Canadian dollars

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF PRIOR PERIOD INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The prior period information and amounts in the accompanying unaudited interim consolidated financial statements of the Corporation have been prepared by, and are the responsibility of, the Corporation's management. The Corporation's independent auditor has not performed a review of the prior period information and amounts in these financial statements.

O3 Mining

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Condensed Interim Consolidated Statements of Financial Position (Tabular amounts express in thousands of Canadian dollars) (Unaudited)

<i>As at</i>	September 30, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 22,777	\$ 93
Other receivables	-	3
Advances and prepaid expenses	298	7
Tax recoverable	3,044	-
Marketable securities (note 6)	9,296	-
Total current assets	35,415	103
Non-current assets		
Reclamation deposit	404	-
Right-of-use assets (note 4(a))	204	-
Plant and equipment (note 8)	166	-
Exploration and evaluation assets (note 9)	131,973	-
Total non-current assets	132,747	-
Total assets	\$ 168,162	\$ 103
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,772	\$ 45
Current lease liabilities (note 4(a))	102	-
Total current liabilities	4,874	45
Non-current liabilities		
Flow-through premium liability (note 10(a))	3,480	-
Share-based payment liability (note 11)	47	-
Asset retirement obligation (note 12)	247	-
Non-current lease liabilities (note 4(a))	103	-
Deferred tax liability (note 14)	872	-
Total non-current liabilities	4,749	-
Total liabilities	9,623	45
Equity		
Share capital (note 10(a))	156,538	2,827
Contributed surplus (note 10(d))	3,930	2,163
Warrants (note 10(e))	5,714	-
Accumulated deficit	(7,643)	(4,932)
Total equity attributed to equity holders of the Corporation	158,539	58
Total liabilities and equity	\$ 168,162	\$ 103

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

Commitments (note 15)
Subsequent events (note 16)

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Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)
(Unaudited)

<i>For the period ended</i>	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2018	September 30, 2019	September 30, 2018
Expenses				
Compensation expenses (note 7)	\$ 1,454	\$ 15	\$ 1,484	\$ 80
General and administration expenses (note 7)	536	22	602	56
General exploration expenses	31	-	31	-
Flow-through premium income (note 10(a))	(123)	-	(123)	-
Loss from marketable securities (note 6)	1,229	-	1,229	-
Foreign currency exchange gain	(12)	-	(12)	-
Other income	(44)	-	(44)	-
Operating loss	3,071	37	3,167	136
Finance income	(160)	-	(160)	-
Finance costs	9	-	9	-
Net finance income	(151)	-	(151)	-
Loss for before tax	2,920	37	3,016	136
Deferred income tax recovery (note 14)	(305)	-	(305)	-
Loss and comprehensive loss	\$ 2,615	\$ 37	\$ 2,711	\$ 136
Basic and diluted loss per share (note 10(b) and (c))	\$ 0.07	\$ 0.06	\$ 0.20	\$ 0.27
Weighted average number of shares (note 10(b) and (c))⁽¹⁾	38,738,475	582,640	13,850,659	504,809

⁽¹⁾ All periods are adjusted for 40:1 share consolidation completed on July 5, 2019. See Note 5(a).

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

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Condensed Interim Consolidated Statements of Changes in Equity (Tabular amounts express in thousands of Canadian dollars) (Unaudited)

Attributable equity to owners of the Corporation

	Number of Shares ⁽¹⁾	Share Capital	Warrants	Contributed Surplus	Deficit and Accumulated Deficit	Total
Balance January 1, 2018	465,249	\$ 2,563	\$ -	\$ 2,128	\$ (4,766)	\$ (75)
Loss for the period	-	-	-	-	(136)	(136)
Stock-based compensation	-	-	-	35	-	35
Private Placement	135,000	264	-	-	-	264
Balance September 30, 2018	600,249	\$ 2,827	\$ -	\$ 2,163	\$ (4,902)	\$ 88

Attributable equity to owners of the Corporation

	Number of Shares ⁽¹⁾	Share Capital	Warrants	Contributed Surplus	Deficit and Accumulated Deficit	Total
Balance January 1, 2019	600,249	\$ 2,827	\$ -	\$ 2,163	\$ (4,932)	\$ 58
Loss for the period	-	-	-	-	(2,711)	(2,711)
Stock-based compensation	-	-	-	1,358	-	1,358
Issuance of warrants on private placement (note 10(a) and (e))	-	-	5,646	-	-	5,646
Issuance of shares on acquisition of assets from Osisko (note 5)	24,977,898	96,914	-	-	-	96,914
Private placement (net of transaction costs (\$1,489,000)) (note 10(a))	4,772,042	11,609	-	-	-	11,609
Issuance of shares on acquisition of Chalice (note 5)	3,092,784	9,278	-	-	-	9,278
Issuance of shares on acquisition of Alexandria (note 5)	9,557,956	27,909	-	-	-	27,909
Issuance of options on acquisition of Alexandria (note 5)	-	-	-	409	-	409
Issuance of warrants on acquisition of Alexandria (note 5)	-	-	68	-	-	68
Issuance of shares on acquisition of Harricana Mining (note 5)	773,193	2,003	-	-	-	2,003
Private placement (net of transaction costs (\$602,000)) (note 10(a))	2,400,000	5,998	-	-	-	5,998
Balance September 30, 2019	46,174,122	\$ 156,538	\$ 5,714	\$ 3,930	\$ (7,643)	\$ 158,539

⁽¹⁾ All periods are adjusted for 40:1 share consolidation completed on July 5, 2019. See Note 5(a).

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

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Condensed Interim Consolidated Statements of Cash Flows (Tabular amounts express in thousands of Canadian dollars) (Unaudited)

<i>For the period ended</i>	September 30, 2019	September 30, 2018
Cash flows used in operating activities		
Loss for the period	\$ (2,711)	\$ (136)
Adjustments for:		
Marketable securities loss (note 6)	1,229	-
Depreciation	10	4
Accretion on asset retirement obligation (note 12)	1	-
Flow-through premium income (note 10(a))	(123)	-
Stock-based compensation (note 10(d))	1,376	35
Deferred income tax recovery (note 14)	(305)	-
Interest income	(160)	-
	(683)	(97)
Change in items of working capital:		
Change in other receivables	369	6
Change in advances and prepaid expenses	(255)	5
Change in accounts payable and accrued liabilities	(1,199)	(88)
Change in taxes recoverable	(566)	-
Net cash provided used in operating activities	(2,334)	(174)
Cash flows used in investing activities		
Interest received	160	-
Acquisition of marketable securities (note 6)	(2,383)	-
Proceeds on disposition of marketable securities (note 6)	2,582	-
Proceeds on disposition of plant and equipment	-	2
Acquisition of plant and equipment (note 8)	(39)	-
Addition to exploration and evaluation assets (note 9)	(241)	-
Net cash and cash equivalents paid on asset acquisitions	(1,778)	-
Net cash (used)/provided in investing activities	(1,699)	2
Cash flows provided by financing activities		
Repayment of lease liabilities	(16)	-
Net cash received from private placements	26,733	264
Net cash provided by financing activities	26,717	264
Increase in cash and cash equivalents	22,684	92
Cash and cash equivalents, beginning of period	93	9
Cash and cash equivalents, end of period	\$ 22,777	\$ 101

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

Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)
(Unaudited)

1) Reporting entity

O3 Mining Inc. (“O3 Mining” or the “Corporation”), formerly Chantrell Ventures Corp. is a Canadian corporation domiciled in Canada and was incorporated on July 29, 2004 under the Ontario Business Corporations Act. The address of the Corporation’s registered office is 155 University Ave, Suite 1440, Toronto, Ontario, Canada. The unaudited condensed interim consolidated financial statements of the Corporation at September 30, 2019 include the Corporation and its subsidiaries, Northern Gold Mining Inc. (“Northern Gold”), Niogold Mining Corporation, O3 Markets Inc., Chalice Gold Mines (Québec) Inc. (“Chalice”), Alexandria Minerals Corporation (“Alexandria”), Murgor Resources Inc. and 9401-3513 Québec Inc. (together the “Group” and individually as “Group entities”). The Corporation is primarily in the business of acquiring, exploring and developing precious mineral deposits in Canada.

The business of acquiring, exploring and developing precious mineral deposits involves a high degree of risk. O3 Mining is in the exploration stage and is subject to risks and challenges similar to companies in a comparable stage. These risks include, but are not limited to, the challenges of securing adequate capital; exploration, development and operational risks inherent in the mining industry; changes in government policies and regulations; the ability to obtain the necessary environmental permitting; challenges in future profitable production or, alternatively O3 Mining’s ability to dispose of its interest on an advantageous basis; as well as global economic and commodity price volatility; all of which are uncertain. There is no assurance that O3 Mining’s funding initiatives will continue to be successful. The underlying value of the mineral properties is dependent upon the existence and economic recovery of mineral reserves and is subject to, but not limited to, the risks and challenges identified above. Changes in future conditions could require material impairment of the carrying value of mineral properties and deferred exploration.

2) Basis of preparation

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”) applicable to the preparation of interim financial statements including IAS 34, Interim Financial Reporting and are presented in thousands of Canadian dollars.

These unaudited condensed interim consolidated financial statements do not include all of the disclosures required for annual financial statements and therefore should be read in conjunction with the Corporation’s audited annual consolidated financial statements and notes thereto for the year ended December 31, 2018.

These consolidated financial statements were authorized for issuance by the Corporation’s board of directors (the “Board of Directors”) on November 8, 2019.

b) Functional and presentation currency

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars (tables in thousands of Canadian dollars), which is O3 Mining’s functional currency.

c) Use of critical estimates and judgements

The preparation of these unaudited condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

(Unaudited)

2) Basis of preparation (continued)

c) Use of critical estimates and judgements (continued)

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future year if the revision affects both current and future year.

i) Significant judgments in applying accounting policies

The areas that require management to make significant judgments in applying the Corporation's accounting policies in determining carrying values include:

Income taxes:

The Corporation is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes, due to the complexity of legislation, including the judgments around the use of flow-through share financing. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

ii) Significant accounting estimates and assumptions

The areas that require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

Impairment of non-financial assets:

The Corporation assesses its cash-generating units at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is the higher of the fair value less costs of disposal and value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and future operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties.

Fair value of stock options and warrants:

Determining the fair value of stock options and warrants involves estimates of interest rates, expected life of options and warrants, expected forfeiture rate, share price volatility and the application of the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires the input of highly subjective assumptions that can materially affect the fair value estimate. Stock options granted vest in accordance with the stock option plan. The valuation of stock-based compensation is subjective and can impact profit and loss significantly. The Corporation has applied a forfeiture rate in arriving at the fair value of stock-based compensation to be recognized, reflecting historical experience. Historical experience may not be representative of actual forfeiture rates incurred.

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Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)
(Unaudited)

2) Basis of preparation (continued)

c) Use of critical estimates and judgements (continued)

ii) Significant accounting estimates and assumptions (continued)

Fair value of stock options and warrants (continued):

Several other variables are used when determining the value of stock options and warrants using the Black-Scholes valuation model:

- **Volatility:** The Corporation uses historical information on the market price of peer companies to determine the degree of volatility at the date when the stock options are granted. Therefore, depending on when the stock options and warrants were granted and the year of historical information examined, the degree of volatility can be different when calculating the value of different stock options and warrants.
- **Risk-free interest rate:** The Corporation used the interest rate available for government securities of an equivalent expected term as at the date of the grant of the stock options and warrants. The risk-free interest rate will vary depending on the date of the grant of the stock options and warrants and their expected term.

3) Significant accounting policies

The accounting policies set out below are in accordance with IFRS and have been applied consistently to the 2019 and 2018 periods presented in these unaudited condensed interim consolidated financial statements, other than respect to IFRS 16, *Leases*, which was adopted in 2019 on the modified retrospective basis with any changes to be recorded in the opening balance sheet as at January 1, 2019.

a) Basis of consolidation

The unaudited condensed interim consolidated financial statements of O3 Mining consolidate the results of the Group. A subsidiary is an entity controlled by the Corporation.

Control exists when an investor is exposed or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which the Corporation obtains control and are de-consolidated from the date that control ceases to exist. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

b) Foreign currency

i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Corporation's entities using the exchange rates prevailing at the dates of the transactions or an appropriate average exchange rate. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the Corporation's functional currency are recognized in the statement of loss.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

(Unaudited)

3) Significant accounting policies (continued)

b) Foreign currency (continued)

ii) Functional and presentational currency

Items included in the financial statements of each consolidated entity of the Corporation are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements of entities that have a functional currency different from that of the Corporation are translated into Canadian dollars as follows: assets and liabilities are translated at the closing rate at the date of the statement of financial position, and income and expenses are translated at the average rate during an appropriate year. Equity transactions are translated using the exchange rate at the date of the transaction and all resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

c) Financial instruments

The Corporation adopted IFRS 9 effective January 1, 2018. The Corporation has applied IFRS 9 on a retrospective basis and was not required to restate prior periods. There was no difference between the previous carrying amount and the carrying amount at the date of initial application of IFRS 9.

Financial instruments are recognized on the consolidated statements of financial position on the trade date, the date on which the Corporation becomes a party to the contractual provisions of the financial instrument. The Corporation classifies its financial instruments in the categories below.

Financial Assets at Amortized Cost – Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Corporation’s other receivables and reclamation deposit consist of fixed or determined cash flows related solely to principal and interest amounts. The Corporation’s intent is to hold these financial assets until the related cash flows are collected. Other receivables and reclamation deposit are recognized initially at fair value, net of any transaction costs incurred, and subsequently measured at amortized cost, using the effective interest method. The Corporation recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost.

Financial Assets at Fair Value through Profit or Loss (“FVTPL”) – Financial assets measured at FVTPL are assets which do not qualify as financial assets at amortized cost or at fair value through other comprehensive income. Cash and cash equivalents and marketable securities are classified as FVTPL. These financial assets are initially recognized at their fair value with changes to fair values recognized in profit or loss.

Financial Liabilities at Amortized Cost – Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at FVTPL, or the Corporation has opted to measure them at FVTPL. Accounts payable and accrued liabilities are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost, using the effective interest method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding year. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter year, to the net carrying amount on initial recognition.

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

(Unaudited)

3) Significant accounting policies (continued)

c) Financial instruments (continued)

The Corporation derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership. Gains and losses on derecognition are generally recognized in the consolidated statements of loss. The Corporation derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

i) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting year-end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The criteria that the Corporation uses to determine if there is objective evidence of an impairment loss includes:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

At each statement of financial position date, on a forward looking basis, the Corporation assesses the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

d) Exploration and evaluation assets

Exploration and evaluation costs, including the cost of acquiring licenses, are capitalized as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and the commercial viability of the project.

Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a license is relinquished or a project is abandoned, the related costs are recognized in profit and loss immediately. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognized in the statement of loss.

Option-out agreements are accounted for as farm-out arrangements. The Corporation, as the farmor, does not record any expenditures made by the optionee on its behalf, does not recognize any gain or loss on the option-out arrangement, but rather re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained, any cash consideration received is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the Corporation as a gain on disposal.

Exploration and evaluation assets are assessed for impairment if (i) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned, (iii) sufficient data exists to determine technical feasibility and commercial viability, and (iv) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment of non-financial assets).

Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

(Unaudited)

3) Significant accounting policies (continued)

d) Exploration and evaluation assets (continued)

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. Upon determination of proven reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible assets. Expenditures deemed to be unsuccessful are recognized in profit or loss immediately.

e) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss during the year in which they are incurred.

The major categories of equipment are depreciated on a declining or straight-line basis as follows:

Office equipment	20%
Computer equipment	30%
Exploration equipment	20%
Automobiles	30%

The Corporation allocates the amount initially recognized in respect of an item of equipment to its material significant parts and depreciates each separately. Residual values, method of depreciation and useful lives of the asset are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying value of the asset and are included as part of other gains and losses in the statement of loss.

f) Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU").

Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

(Unaudited)

3) Significant accounting policies (continued)

f) Impairment of non-financial assets (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior years are assessed at each reporting year for any indications that the loss decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying value amount does not exceed the carrying amount that would have been determined, net of depreciation of amortization, if no impairment loss had been recognized.

g) Current and deferred income tax

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Mining taxes represent Canadian provincial tax levied on mining operations and are classified as income tax since such taxes are based on a percentage of mining profits.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect to the previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

h) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

(Unaudited)

3) Significant accounting policies (continued)

i) Related party transactions

A related party is a person or entity that is related to the Corporation; that has control or joint control over the Corporation; that has significant influence over the Corporation; or is a member of the key management personnel of the Corporation.

An entity is related to a Corporation if the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

A related party transaction is a transfer of resources, services or obligations between a Corporation, and a related party, regardless of whether a price is charged. All transactions with related parties are in the normal course of business and are measured at fair value.

j) Basic and diluted loss per share

The Corporation presents basic and diluted loss per share ("LPS") data for its common shares. Basic loss per share are calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the year.

k) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The Corporation performs evaluations each reporting year to identify potential obligations.

l) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss. Finance costs comprise interest expense on borrowing, changes in the fair value of financial assets at FVTPL, impairment losses recognized on financial assets. Foreign currency gains and losses are reported on a net basis.

m) Asset retirement obligation

An asset retirement obligation is recognized for the expected costs of reclamation at mineral properties where the Corporation is legally or contractually responsible for such costs. Asset retirement obligations arise from the Corporation's obligation to undertake site reclamation and remediation in connection with the exploration of mineral properties. The Corporation recognizes the estimated reclamation costs when environmental disturbance occurs but only when a reasonable estimate can be made.

The asset retirement obligation recognized is estimated on the risk adjusted costs required to settle present obligations, discounted using a pre-tax risk free discount rate consistent with the expected timing of expected cash flows. Changes in the estimated undiscounted cash flows and risk-free discount rate used in calculating the present value of the asset retirement obligation are offset to the reclamation cost asset previously recognized for the specific property. Actual reclamation expenditures incurred reduce the carrying value of the reclamation provision.

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3) Significant accounting policies (continued)

n) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors under Canadian income tax legislation. On issuance, the Corporation separates the flow-through share into i) a flow-through share premium, equal to the difference between the current market price of the Corporation's common shares and the issue price of the flow through share and ii) share capital. Upon expenses being incurred, the Corporation recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares must be expended on Canadian resource property exploration within a period of two years.

o) Stock based compensation

The Corporation maintains a share option plan, a deferred share unit ("DSU") plan, and a restricted share unit ("RSU") plan for its officers, directors, employees and consultants. The maximum number of shares reserved for issuance under all security-based compensation arrangements of the Corporation is 10% of the issued and outstanding common shares of the Corporation.

i) Share option plan

Share options are settled in equity. The fair value of share options granted is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in contributed surplus.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using an appropriate option pricing model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest based on an estimate of the forfeiture rate.

Cancelled options are accounted for as an acceleration of vesting and the amount that otherwise would have been recognized for services received over the vesting period is recognized immediately.

ii) Restricted Share Unit plan

Each RSU represents an entitlement to one common share of the Corporation, upon vesting. RSUs provide the option of being settled in cash. The fair value of RSUs granted is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in share-based payment liability. The liability is re-measured to fair value at each reporting date and, upon redemption, at the Corporation's closing share price, with any changes in the fair value recognized in profit or loss. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of RSUs that are expected to vest based on an estimate of the forfeiture rate. Upon redemption of the RSU, the liability is transferred to share capital.

iii) Deferred Share Unit plan

Each DSU represents an entitlement to one common share of the Corporation and vests immediately on the date of grant. DSUs provide the option of being settled in cash. The fair value of DSUs granted is recognized as an expense on the date of grant with a corresponding increase in share-based payment liability. The liability is re-measured to fair value at each reporting date and, upon redemption, at the Corporation's closing share price, with any changes in the fair value recognized in profit or loss. Upon redemption of the DSU, the liability is transferred to share capital.

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3) Significant accounting policies (continued)

p) Refundable tax credits for mining exploration and evaluation assets

The Corporation is entitled to a refundable tax credit on qualified mining exploration and evaluation expenditures incurred in the Province of Québec. The credit is accounted for against the exploration and evaluation expenditures incurred.

q) Leases

The Corporation leases various offices and equipment. Lease agreements are typically made for fixed periods of two to six years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Prior to January 1, 2019, leases of offices and equipment were classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Corporation. Each lease payment is allocated between the lease liabilities and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liabilities for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

4) Changes in IFRS accounting policies and future accounting pronouncements

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee that are mandatory for accounting years ended after December 31, 2019. Many are not applicable or do not have a significant impact to the Corporation and have been excluded from the summary below.

a) New Accounting Standards Issued and Effective

IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23")

In June 2017, the IASB issued IFRIC 23. IFRIC 23 clarifies the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 and requires an entity to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it uses or plans to use in its income tax filing. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 and permits early adoption. The adoption of IFRIC 23 did not have a material impact on the consolidated financial statements.

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Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)
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4) Changes in IFRS accounting policies and future accounting pronouncements (continued)

a) New Accounting Standards Issued and Effective (continued)

IFRS 16, "Leases" ("IFRS 16")

In January 2016, the IASB issued IFRS 16. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. This standard is effective for annual reporting periods on or after January 1, 2019.

The Corporation has applied IFRS 16 on January 1, 2019 for which there was no impact on the Company's unaudited interim financial statements.

During the period the Corporation entered into lease agreements which was classified as finance leases and recognized the related lease liabilities. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 8%.

The associated right-of-use assets were measured at the amount equal to the lease liabilities. The recognized right-of-use assets relate to offices.

5) Asset acquisitions

Consideration paid for companies	Assets from		Harricana		Total
	Osisko	Chalice	Alexandria	Mining	
Share consideration	\$ 96,914	\$ 9,278	\$ 27,909	\$ 2,003	\$ 136,104
Cash consideration	-	1,035	-	-	1,035
Transaction costs	1,171	145	448	36	1,800
Options	-	-	409	-	409
Warrants	-	-	68	-	68
	\$ 98,085	\$ 10,458	\$ 28,834	\$ 2,039	\$ 139,416

Net assets acquired	Assets from		Harricana		Total
	Osisko	Chalice	Alexandria	Mining	
Cash	\$ 606	\$ -	\$ -	\$ 451	\$ 1,057
Other receivables	-	-	363	3	366
Tax recoverable	139	1,034	1,305	-	2,478
Marketable securities	10,712	-	12	-	10,724
Advances and prepaid expenses	-	10	26	-	36
Reclamation deposit	404	-	-	-	404
Plant and equipment	134	-	4	-	138
Exploration and evaluation assets	88,107	9,414	31,633	1,631	130,785
Accounts payable and accrued liabilities	-	-	(1,871)	(46)	(1,917)
Due to related party	(594)	-	(2,515)	-	(3,109)
Flow-through premium liability	-	-	(123)	-	(123)
Asset retirement obligation	(246)	-	-	-	(246)
Deferred tax liability	(1,177)	-	-	-	(1,177)
Total net assets acquired	\$ 98,085	\$ 10,458	\$ 28,834	\$ 2,039	\$ 139,416

Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

(Unaudited)

5) Asset acquisitions (continued)

a) Acquisition of Assets from Osisko Mining Inc. ("Osisko")

On July 5, 2019, the Corporation and Osisko completed the previously announced spin-out transaction pursuant to which, among other things, certain assets of Osisko were transferred to the Corporation in exchange for common shares of the Corporation, with the issuance of such shares, resulting in a reverse take-over of the Corporation by Osisko (the "Reverse Take-Over"). The Reverse Take-Over was implemented by way of a statutory plan of arrangement under Section 182 of the Business Corporations Act (Ontario). The assets of Osisko that were transferred to the Corporation pursuant to the Reverse Take-Over include: (i) the Marban deposit (located in Québec's Abitibi gold mining district between Val-d'Or and Malartic); (ii) the Garrison deposit (located in the Larder Lake Mining Division in north east Ontario); (iii) certain other exploration properties and earn-in rights; and (iv) a portfolio of selected marketable securities (collectively, the "Transferred Assets"). The Transferred Assets were transferred to the Corporation in exchange for an aggregate of 24,977,898 common shares of the Corporation (after giving effect to the Consolidation (as defined below)). In connection with the Reverse Take-Over, the Corporation also, among other things: (i) changed its name to "O3 Mining Inc."; (ii) replaced all directors and officers of the resulting issuer; (iii) obtained approval of the TSX Venture Exchange for the listing of the common shares of O3 Mining; (iv) consolidated the common shares of O3 Mining on a 40:1 basis (the "Consolidation"); (v) continued from British Columbia to Ontario; and (vi) completed the conversion of the outstanding subscription receipts of the Corporation for the underlying securities.

The Reverse Take-Over has been accounted for as an acquisition of assets and liabilities as the Transferred Assets does not meet the definition of a business under IFRS 3. The acquisition was recorded at the fair value of the consideration transferred of \$98,085,000 as detailed in the table above.

a) Acquisition of Chalice

On July 25, 2019, O3 Mining completed its previously announced acquisition of Chalice, a wholly-owned subsidiary of Chalice Gold Mines (Ontario) Inc. ("CGM"), pursuant to which O3 Mining acquired all the common shares of Chalice. Under the terms of the share purchase agreement, CGM received 3,092,784 common shares of O3 Mining and a 1% net smelter returns royalty on all of the acquired claims that were not subject to a pre-existing royalty. In addition, cash consideration will be paid to Chalice by O3 Mining for existing tax credits upon receipt from Canadian tax authorities totalling \$1 million.

The acquisition of Chalice has been accounted for as an acquisition of assets and liabilities as Chalice does not meet the definition of a business under IFRS 3. The acquisition of the net assets of Chalice were recorded at the fair value of the consideration transferred of \$10,458,000 as detailed in the table above.

b) Acquisition of Alexandria

On August 1, 2019, O3 Mining completed its previously announced acquisition of Alexandria, pursuant to which O3 Mining acquired all of 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 shares of O3 Mining in exchange for each common share of Alexandria held. In addition, holders of options and warrants to acquire common shares of Alexandria received replacement options and warrants, respectively, entitling the holders thereof to acquire common shares of O3 Mining.

The acquisition of Alexandria has been accounted for as an acquisition of assets and liabilities as Alexandria does not meet the definition of a business under IFRS 3. The acquisition of the net assets of Alexandria were recorded at the fair value of the consideration transferred of \$28,834,000 as detailed in the table above.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)
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5) Asset acquisitions (continued)

c) Acquisition of Harricana Mining

On August 23, 2019, O3 Mining completed its acquisition of Harricana River Mining Corporation Inc. ("Harricana Mining"), pursuant to an amalgamation agreement dated July 19, 2019 among Harricana Mining, O3 Mining and 9401-3513 Québec Inc. a wholly owned subsidiary of O3 Mining (the "Harricana Amalgamation Agreement"). Pursuant to the Harricana Amalgamation Agreement, Harricana Mining and 9401-3513 Québec Inc. amalgamated under the provisions of the Business Corporations Act (Québec) with the resulting company being a wholly-owned subsidiary of O3 Mining. Under the terms of the Harricana Amalgamation Agreement, shareholders of Harricana Mining are entitled to receive, a pro-rata basis, an aggregate of 773,196 common shares of O3 Mining in exchange for all of the issued and outstanding shares of Harricana Mining.

The acquisition of Harricana Mining has been accounted for as an acquisition of assets and liabilities as Harricana Mining does not meet the definition of a business under IFRS 3. The acquisition of the net assets of Harricana Mining were recorded at the fair value of the consideration transferred of \$2,039,000 as detailed in the table above.

6) Marketable securities

The Corporation holds shares in various public and private companies. During the three and nine-month period ended September 30, 2019, these shares and warrants were fair valued and this resulted in an unrealized loss of \$719,000 and \$719,000 respectively (2018 – \$nil and \$nil, respectively). The Corporation sold shares during the three and nine-month period ended September 30, 2019 which resulted in a realized loss of \$510,000 and \$510,000 respectively (2018 – \$nil and \$nil, respectively).

The shares in the various public companies are classified as FVTPL and are recorded at fair value using the quoted market price as at September 30, 2019 and are therefore classified as level 1 within the fair value hierarchy.

The following table summarizes information regarding the Corporation's marketable securities as at September 30, 2019 and December 31, 2018:

<i>As at</i>	September 30,	
		2019
Balance, beginning of period	\$	-
Additions		2,383
Acquisitions (note 5)		10,724
Disposals		(2,582)
Realized loss		(510)
Unrealized loss		(719)
Balance, end of period	\$	9,296

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Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

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7) Expenses

The following table summarizes information regarding the Corporation's expenses from continuing operations for the period ended September 30, 2019 and 2018:

For the period ended	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Compensation expenses				
Stock-based compensation (note 10(d) and note 11)	\$ 1,376	\$ -	\$ 1,376	\$ 35
Salaries and benefits	78	15	108	45
Total compensation expenses	\$ 1,454	\$ 15	\$ 1,484	\$ 80
General and administration expenses				
Shareholder and regulatory expense	\$ 69	\$ 6	\$ 78	\$ 12
Travel expense	32	-	32	-
Professional fees	260	5	309	16
Office expense	175	11	183	28
Total general and administration expenses	\$ 536	\$ 22	\$ 602	\$ 56
Marketable securities				
Realized loss from marketable securities (note 6)	\$ 510	\$ -	\$ 510	\$ -
Unrealized loss from marketable securities (note 6)	719	-	719	-
Total marketable securities loss	\$ 1,229	\$ -	\$ 1,229	\$ -

8) Plant and equipment

The following table summarizes information regarding the Corporation's plant and equipment as at September 30, 2019:

Class	September 30, 2019							
	Cost				Accumulated depreciation			
	Opening balance	Additions/transfers	Acquisitions in the period (note 5)	Closing balance	Opening balance	Depreciation	Closing balance	Net book value
Computer Equipment	\$ -	\$ 39	\$ 12	\$ 51	\$ -	\$ 5	\$ 5	\$ 46
Office Equipment	-	-	3	3	-	-	-	3
Exploration Equipment	-	-	37	37	-	5	5	32
Automobiles	-	-	86	86	-	1	1	85
Total	\$ -	\$ 39	\$ 138	\$ 177	\$ -	\$ 11	\$ 11	\$ 166

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For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)
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9) Exploration and evaluation assets

	December 31, 2018	Acquisitions in the period (note 5)	Additions in the period	September 30, 2019
Kan - James Bay	\$ -	\$ 200	\$ -	\$ 200
Éléonore – James Bay	-	200	-	200
Éléonore JV – James Bay	-	200	-	200
Other – James Bay	-	150	107	257
FCI - Corvette Lithium	-	(57)	-	(57)
Éléonore Opinaca	-	1,000	-	1,000
Tortigny	-	1,000	-	1,000
Launay	-	1,000	-	1,000
Marban Block	-	61,444	60	61,504
Garrison Block	-	22,720	259	22,979
Hemlo	-	250	1	251
Cadillac Break	-	31,633	381	32,014
Harricana	-	1,631	2	1,633
East Cadillac Break	-	9,414	378	9,792
Total exploration and evaluation assets	\$ -	\$ 130,785	\$ 1,188	\$ 131,973

10) Capital and other components of equity

a) Share capital – authorized

	Number of Common Shares ⁽¹⁾	Amount
Balance, January 1, 2018	465,249	\$ 2,563
Private placement (net of transaction costs (\$5,600))	135,000	264
Balance December 31, 2018	600,249	\$ 2,827
Issuance of shares on acquisition of assets from Osisko (note 5)	24,977,898	96,914
Private placement (net of transaction costs (\$1,489,000)) (note 10 (a))	4,772,042	11,609
Issuance of shares on acquisition of Chalice (note 5)	3,092,784	9,278
Issuance of shares on acquisition of Alexandria (note 5)	9,557,956	27,909
Issuance of shares on acquisition of Harricana Mining (note 5)	773,193	2,003
Private placement (net of transaction costs (\$602,000)) (note 10 (a))	2,400,000	5,998
Balance September 30, 2019	46,174,122	\$ 156,538

⁽¹⁾ All periods are adjusted for 40:1 share consolidation completed on July 5, 2019. See Note 5(a).

The authorized capital of O3 Mining consists of an unlimited number of common shares having no par value. The holders of common shares of the Corporation are entitled to one vote per share at shareholder meetings of the Corporation. All shares rank equally with regard to the Corporation's residual assets.

O3 Mining

Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)
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10) Capital and other components of equity (continued)

a) Share capital – authorized (continued)

On July 5, 2019, O3 Mining acquired ownership over a group of assets as part of the Reverse Take-Over of the Corporation by Osisko. Pursuant to the transaction, Osisko transferred certain assets with a value of approximately \$98.1 million (note 5) to O3 Mining in exchange for 24,977,898 post-consolidation shares of the Corporation.

On July 5, 2019, the Corporation completed a private placement of 4,772,042 units of the Corporation at a price of \$3.88 per unit for gross proceeds of \$18,516,000. The transaction costs amounted to \$1,489,000 and were netted against the gross proceeds on closing. Each unit is comprised of one common share of O3 Mining and one common share purchase warrant. Each common share purchase warrant is exercisable into one common share of O3 Mining until July 5, 2022, at an exercise price of \$4.46. The fair value of the common share purchase warrant upon conversion was \$5,417,000 and this fair value was netted against the gross proceeds on closing.

On July 25, 2019, the Corporation acquired Chalice. In consideration for the acquisition of Chalice, the Corporation issued an aggregate of 3,092,784 common shares of the Corporation at \$3.00 for total share consideration of \$9,278,000.

On August 1, 2019, the Corporation acquired Alexandria. In consideration for the acquisition of Alexandria, the Corporation issued an aggregate of 9,557,956 common shares of the Corporation at \$2.92 for total share consideration of \$27,909,000.

On August 23, 2019, the Corporation acquired Harricana Mining. In consideration for the acquisition of Harricana Mining, the Corporation issued an aggregate of 773,193 common shares of the Corporation at \$2.59 for total share consideration of \$2,003,000.

On September 26, 2019, the Corporation completed a private placement of 2,400,000 common shares of the Corporation at a price of \$4.20 per common share issued as flow-through shares for aggregate gross proceeds of \$10,080,000. The flow-through shares were issued at a premium of \$1.45 to the current market price of the Corporation's shares at the day of issue. The premium was recognized as a long-term liability for \$3,480,000 with a subsequent pro-rata reduction of the liability recognized as flow-through premium income as the required expenditures are incurred. Flow-through premium income of \$nil was recognized for the period ended September 30, 2019 relating to this transaction. The transaction costs amounted to \$602,000 and have been netted against the gross proceeds on closing.

b) Basic loss per share

For the period ended	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Common shares outstanding, at beginning of the period ⁽¹⁾	600,249	465,249	600,249	465,249
Common shares issued during the period ⁽¹⁾	38,138,226	117,391	13,250,410	39,560
Basic weighted average number of Common Shares⁽¹⁾	38,738,475	582,640	13,850,659	504,809
Loss	\$ 2,615	\$ 37	\$ 2,711	\$ 136
Basic loss per share	\$ 0.07	\$ 0.06	\$ 0.20	\$ 0.27

⁽¹⁾ All periods are adjusted for 40:1 share consolidation completed on July 5, 2019. See Note 5(a).

Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)
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10) Capital and other components of equity (continued)

c) Diluted loss per share

The Corporation incurred losses for the period ended September 30, 2019 and 2018, therefore all outstanding stock options and warrants have been excluded from the calculation of diluted loss per share since the effect would be anti-dilutive. These options, warrants, deferred share units, and restricted share units could potentially dilute basic earnings per share in the future.

d) Contributed surplus

On August 13, 2019 the Board of Directors issued an incentive stock-option plan to provide additional incentive to its directors, officers, employees and consultants. The maximum number of shares reserved for issuance under the incentive stock option plan and all other security-based compensation arrangement of the Corporation is 10% of the issued and outstanding common shares of the Corporation. The options issued under the plan may vest at the discretion of the Board of Directors and are exercisable for a year of up to 5 years from the date of grant.

The following table summarizes the stock option transactions for the period ended September 30, 2019 and the year ended, December 31, 2018:

	Number of stock options ⁽¹⁾	Weighted-average exercise price
Outstanding at January 1, 2018	20,750	\$ 2.40
Granted	23,750	2.20
Outstanding at December 31, 2018	44,500	\$ 2.29
Granted	2,627,009	3.07
Cancelled	(44,500)	2.29
Expired	(4,510)	5.54
Outstanding at September 30, 2019	2,622,499	\$ 3.06

⁽¹⁾ All periods are adjusted for 40:1 share consolidation completed on July 5, 2019. See Note 5(a).

In connection with the acquisition of Alexandria, consent was received from each Alexandria stock option holder that, subsequent to the acquisition, each Alexandria stock option will be exercisable into 0.018041 common share of the Corporation for each common share of Alexandria the holder would have otherwise been entitled to acquire. On August 1, 2019 a total of 372,009 stock options were issued in connection with the Alexandria acquisition.

On August 13, 2019, 2,255,000 stock options were issued to management and employees, at an exercise price of \$3.07 for a period of 5 years. The options have been fair valued at \$1.66 per option using the Black-Scholes option-pricing model. These options will vest in thirds on date of grant and the first and second anniversaries from the date of grant.

The total recognized expense for stock options for the three and nine-month period ended September 30, 2019 was \$1,768,000 and \$1,768,000 respectively (2018 - \$nil and \$35,000 respectively) from which \$392,000 and \$392,000 respectively were capitalized to the Canadian projects (2018 - \$nil and \$nil, respectively).

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(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

(Unaudited)

10) Capital and other components of equity (continued)

d) Contributed surplus (continued)

The following table summarizes the weighted average assumptions used for the valuation of the stock options issued during the period ended September 30, 2019 and the year ended December 31, 2018:

<i>For the period/year ended</i>	September 30, 2019	December 31, 2018
Fair value at grant date	\$ 1.58	\$ 14.74
Forfeiture rate	3.7%	0.0%
Share price at grant date	\$ 3.05	\$ 2.20
Exercise price	\$ 3.07	\$ 2.20
Expected volatility	81%	84%
Dividend yield	0.0%	0.0%
Option life (weighted average life)	3 years	5 years
Risk-free interest rate (based on government bonds)	1.34%	2.14%

The following table summarizes information regarding the Corporation's outstanding and exercisable stock options as at September 30, 2019:

Range of exercise prices per share (\$)	Options outstanding			Options exercisable		
	Weighted-average remaining years of contractual life	Number of stock options outstanding	Weighted average exercise price (\$)	Weighted-average remaining years of contractual life	Number of stock options exercisable	Weighted average exercise price (\$)
2.77 to 2.92	3.1	236,701	\$2.77	3.1	236,701	\$2.77
2.93 to 3.20	4.9	2,255,000	\$3.07	4.9	751,676	\$3.07
3.21 to 3.47	2.3	109,149	\$3.33	2.3	109,149	\$3.33
3.48 to 4.57	2.5	18,041	\$3.60	2.5	18,041	\$3.60
4.58 to 5.54	0.8	3,608	\$5.54	0.8	3,608	\$5.54
2.77 to 5.54	4.6	2,622,499	\$3.06	4.2	1,119,175	\$3.05

e) Warrants

The following table summarizes the transactions pertaining to the Corporation's outstanding standard warrants for the period ended September 30, 2019 and year ended December 31, 2018. These warrants were exercisable at one warrant for one common share of the Corporation.

	Number of warrants	Weighted-average exercise price
Outstanding at December 31, 2018	-	\$ -
Issuance of warrants on private placement (note 10(a))	5,010,644	4.43
Issuance of warrants on acquisition of Alexandria	477,174	4.15
Outstanding at September 30, 2019	5,487,818	\$ 4.41

Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

(Unaudited)

10) Capital and other components of equity (continued)

e) Warrants (continued)

The following table summarizes the weighted average assumptions used for the valuation of the warrants issued during the period ended September 30, 2019:

<i>For the period/year ended</i>		September 30, 2019
Fair value at grant date	\$	1.04
Forfeiture rate		0.0%
Share price at grant date	\$	3.46
Exercise price	\$	4.41
Expected volatility		83%
Dividend yield		0.0%
Option life (weighted average life)		1.4 years
Risk-free interest rate (based on government bonds)		1.60%

11) Restricted share unit plans

On August 13, 2019, O3 Mining established a restricted share unit plan. Under this plan, the restricted share units ("RSUs") can be granted to executive officers and key employees, as part of their long-term compensation package, entitling them to receive payout in cash or shares, or a combination of both. Should the payout be in cash, the cash value of the payout would be determined by multiplying the number of RSUs vested at the payout date by the five-day volume weighted average price from closing price of the Corporation's shares on the day prior to the payout date. Should the payout be in shares, each RSU represents an entitlement to one common share of the Corporation.

The following table summarizes information regarding the Corporation's outstanding and exercisable and RSUs for the period ended September 30, 2019:

	Number of RSUs
Outstanding at December 31, 2018	-
Granted	390,000
Outstanding at September 30, 2019	390,000

On August 13, 2019, 390,000 RSUs were issued to management. Each RSU has been fair valued at \$3.07 initially at the Corporation's closing share price on the date of grant. The RSUs vest on the third anniversary date from the date of grant.

As at September 30, 2019, the share-based payment liability related to each RSU was re-measured to fair value at the Corporation's closing share price of \$2.70.

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Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

(Unaudited)

12) Asset Retirement Obligation

The Corporation's asset retirement obligation is estimated based on the Corporation's site remediation and restoration plan and the estimated timing of the costs to be paid in future years. The total undiscounted amount of cash flows required to settle the Corporation's asset retirement obligation is approximately \$228,000.

The following table summarizes the Corporation's asset retirement obligation:

	Amount
Balance December 31, 2018	\$ -
Acquisition of Nothern Gold	246
Accretion	1
Balance September 30, 2019	\$ 247

The following are the assumptions used to estimate the provision for asset retirement obligation:

<i>For the period ended September 30,</i>	2019
Total undiscounted value of payments	\$ 228
Weighted average discount rate	1.40%
Weighted average expected life	5 years
Inflation rate	2.00%

13) Related party transactions

Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Corporation and other related parties are disclosed below.

During the three and nine-month period ended September 30, 2019, management fees, geological services, rent and administration fees of \$592,000 and \$592,000 respectively (2018 - \$nil and \$nil, respectively) were incurred with Osisko, a related company of the Corporation by virtue of Osisko owning and controlling, greater than 50% of the issued and outstanding common shares of the Corporation. Also, Mr. John Burzynski, Chairman of the Board of Directors of the Corporation, serve as President and Chief Executive Officer of Osisko and Jose Vizquerra President and CEO of O3 Mining is also a Director of Osisko. Accounts payable and accrued liabilities to Osisko as at September 30, 2019 were \$633,000 (2018 - \$nil).

The following table summarizes remuneration attributable to key management personnel for the three and nine-month period ended September 30, 2019 and 2018:

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<i>For the period ended</i>				
Directors' fees	\$ 89	\$ -	\$ 89	\$ -
Stock-based compensation	705	-	705	35
Total	\$ 794	\$ -	\$ 794	\$ 35

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Notes to Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2019 and 2018

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

(Unaudited)

14) Deferred income taxes

The following table provides the deferred income tax recovery for the period ended September 30, 2019:

<i>For the period ended</i>	September 30, 2019	September 30, 2018
Deferred income tax recovery	\$ (305)	\$ -
Total deferred income tax recovery	\$ (305)	\$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Corporation has the legal right and intent to offset. Deferred tax assets are recognized when the Corporation concludes that sufficient positive evidence exists to demonstrate that it is probable that a deferred tax asset will be realized.

The following table provides the components of the deferred income and mining tax liabilities:

<i>As at</i>	September 30, 2019	December 31, 2018
Deferred tax liability		
Deferred income tax liability on net taxable temporary differences	\$ (422)	\$ -
Deferred mining tax liability on net taxable temporary differences	(450)	-
Total deferred tax liability	\$ (872)	\$ -

15) Commitments

As of September 30, 2019, the Corporation has the following flow-through funds to be spent by December 31, 2020:

Closing Date of Financing	Province	Remaining Flow-through Funds
September 26, 2019	Québec	10,080
Total		\$ 10,080

16) Subsequent events

On October 31, 2019, O3 Mining completed a shares for debt transaction to settle \$820,000 of accounts payable and accrued liabilities through the issuance of an aggregate of 211,634 common shares.