



Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2020 and 2019
Presented in Canadian dollars
(Unaudited)

O3 Mining

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

As at	September 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 45,126	\$ 16,702
Other receivables	2,060	734
Advances and prepaid expenses	316	213
Taxes recoverable	813	2,867
Marketable securities (note 4)	15,683	10,172
Total current assets	63,998	30,688
Non-current assets		
Reclamation deposit	412	412
Property, plant and equipment (note 6)	1,764	254
Exploration and evaluation assets (note 7)	145,923	136,690
Total non-current assets	148,099	137,356
Total assets	\$ 212,097	\$ 168,044
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,629	\$ 3,207
Current lease liabilities	190	104
Total current liabilities	3,819	3,311
Non-current liabilities		
Flow-through premium liability (note 9(a))	7,913	2,781
Share-based payment liability (note 10)	631	143
Asset retirement obligation (note 8)	602	570
Non-current lease liabilities	931	77
Deferred tax liability (note 12)	3,017	1,515
Total non-current liabilities	13,094	5,086
Total liabilities	16,913	8,397
Equity		
Share capital (note 9(a))	184,309	158,325
Contributed surplus (note 9(d))	6,398	4,483
Warrants (note 9(e))	9,628	5,911
Accumulated deficit	(5,151)	(9,072)
Total equity attributed to equity holders of the Corporation	195,184	159,647
Total liabilities and equity	\$ 212,097	\$ 168,044

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

Commitments (note 13)
Subsequent event (note 14)

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

For the period ended	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Expenses/(income)				
Compensation expenses (note 5)	\$ 1,296	\$ 1,454	\$ 3,865	\$ 1,484
General and administration expenses (note 5)	416	536	1,746	602
General exploration expenses	-	31	24	31
Loss on impairment of exploration and evaluation assets (note 7(b))	831	-	831	-
Flow-through premium income (note 9(a))	(1,459)	(123)	(3,145)	(123)
(Gain)/loss from marketable securities (note 4)	(4,263)	1,229	(7,415)	1,229
Loss on disposition of property, plant and equipment	2	-	-	-
Gain on disposition of exploration and evaluation assets (note 7(a))	(53)	-	(1,733)	-
Other income	(2)	(56)	(5)	(56)
Operating (income)/loss	(3,232)	3,071	(5,832)	3,167
Finance income	(92)	(160)	(199)	(160)
Finance costs	28	9	44	9
Net finance income	(64)	(151)	(155)	(151)
(Income)/loss for before tax	(3,296)	2,920	(5,987)	3,016
Deferred income tax expense/(recovery) (note 12)	153	(305)	1,502	(305)
Current income tax expense (note 12)	564	-	564	-
(Income)/loss and comprehensive (income)/loss	\$ (2,579)	\$ 2,615	\$ (3,921)	\$ 2,711
Basic (earnings)/loss per share (note 9(b))	\$ (0.04)	\$ 0.07	\$ (0.08)	\$ 0.20
Weighted average number of shares (note 9(b)) ¹	60,296,508	38,738,475	52,042,708	13,850,659
Diluted (earnings)/loss per share (note 9(c))	\$ (0.04)	\$ 0.07	\$ (0.08)	\$ 0.20
Diluted weighted average number of shares (note 9(c)) ¹	60,382,681	38,738,475	52,059,554	13,850,659

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

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, 2020	46,927,215	\$ 158,325	\$ 5,911	\$ 4,483	\$ (9,072)	\$ 159,647
Income for the period	-	-	-	-	3,921	3,921
Stock-based compensation	-	-	-	1,915	-	1,915
Issuance of shares upon exercise of warrants (note 9(a))	100	1	(1)	-	-	-
Issuance of shares on acquisition of Regcourt Property (note 3)	113,637	128	-	-	-	128
Issuance of shares on acquisition of Louvem Property (note 3)	4,546	5	-	-	-	5
Private placement (net of transaction costs (\$2,366,000)) (note 9(a))	13,251,010	25,850	3,718	-	-	29,568
Balance September 30, 2020	60,296,508	\$ 184,309	\$ 9,628	\$ 6,398	\$ (5,151)	\$ 195,184

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	-	-	5,646	-	-	5,646
Issuance of shares on acquisition of assets from Osisko	24,977,898	96,914	-	-	-	96,914
Private placement (net of transaction costs (\$1,489,000))	4,772,042	11,609	-	-	-	11,609
Issuance of shares on acquisition of Chalice	3,092,784	9,278	-	-	-	9,278
Issuance of shares on acquisition of Alexandria	9,557,956	27,909	-	-	-	27,909
Issuance of options on acquisition of Alexandria	-	-	-	409	-	409
Issuance of warrants on acquisition of Alexandria	-	-	68	-	-	68
Issuance of shares on acquisition of Harricana Mining	773,193	2,003	-	-	-	2,003
Private placement (net of transaction costs (\$602,000))	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.

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, 2020	September 30, 2019
Cash flows provided by/(used in) operating activities		
Income/(loss) for the period	\$ 3,921	\$ (2,711)
Adjustments for:		
Marketable securities (gain)/loss (note 4)	(7,415)	1,229
Depreciation	8	10
Gain on disposition of exploration and evaluation assets	(1,733)	-
Loss on impairment of exploration and evaluation assets	831	-
Accretion on asset retirement obligation (note 8)	2	1
Flow-through premium income (note 9(a))	(3,145)	(123)
Stock-based compensation (note 9(d))	2,371	1,376
Deferred income tax expense/(recovery) (note 12)	1,502	(305)
Interest expense on lease liabilities	20	-
Interest income	(199)	(160)
	(3,837)	(683)
Change in items of working capital:		
Change in other receivables	(526)	369
Change in advances and prepaid expenses	(103)	(255)
Change in accounts payable and accrued liabilities	(552)	(1,199)
Change in taxes recoverable	2,007	(566)
Net cash used in operating activities	(3,011)	(2,334)
Cash flows provided by/(used in) investing activities		
Interest received	199	160
Acquisition of marketable securities (note 4)	(2,042)	(2,383)
Proceeds on disposition of marketable securities (note 4)	6,092	2,582
Acquisition of property, plant and equipment (note 6)	(578)	(39)
Addition to exploration and evaluation assets (note 7)	(9,910)	(241)
Proceeds on disposition of exploration and evaluation assets	(40)	-
Net cash and cash equivalents paid on asset acquisitions	(23)	(1,778)
Net cash used in investing activities	(6,302)	(1,699)
Cash flows (used in)/provided by financing activities		
Repayment of lease liabilities	(108)	(16)
Net cash received from private placements	37,845	26,733
Net cash provided by financing activities	37,737	26,717
Increase in cash and cash equivalents	28,424	22,684
Cash and cash equivalents, beginning of period	16,702	93
Cash and cash equivalents, end of period	\$ 45,126	\$ 22,777

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

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2020 and 2019

(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**"), 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 condensed interim consolidated financial statements of the Corporation at September 30, 2020 include the Corporation and its subsidiaries, Northern Gold Mining Inc., Niogold Mining Corporation, O3 Markets Inc., Chalice Gold Mines (Québec) Inc., Alexandria Minerals Corporation, 9401-3513 Québec Inc. and Murgor Resources Inc. 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 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 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, 2019.

These condensed interim consolidated financial statements were authorized for issuance by the Corporation's board of directors (the "Board of Directors") on November 10, 2020.

b) Significant accounting policies

The significant accounting policies followed in these unaudited condensed interim consolidated financial statements are consistent with those applied in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2019.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2020 and 2019

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)
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2) Basis of preparation (continued)

c) 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 beginning on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Corporation and have been excluded from the summary below.

IFRS 3, Business Combinations ("IFRS 3")

In October 2018, the IASB issued amendments to the guidance in IFRS 3, that revises the definition of a business. The revised guidance introduces an optional concentration test that, if met, eliminates the need for further assessment. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. These amendments are effective and shall be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting periods beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. The corporation applied the revised definition of a business to determine accounting for all asset acquisitions during the period ended September 30, 2020 (note 3).

d) Use of critical estimates and judgements

The preparation of these 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.

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.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements and estimates made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2019.

The outbreak of the Novel Coronavirus ("COVID-19"), has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. The Corporation suspended its operations in Québec due to COVID-19 on March 23, 2020 and the sites were put on care and maintenance. The Corporation resumed operations in Québec on May 13, 2020. The duration and impact of the COVID-19 pandemic is unclear at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results and operations of the Corporation in future periods. It is management's assumption that the Corporation will continue to operate as a going concern.

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Notes to Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2020 and 2019

(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)
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2) Basis of preparation (continued)

d) Use of critical estimates and judgements (continued)

On July 7, 2020, the Department of Finance proposed to extend the flow-through funds spend period and the look-back rule by one year, including suspending the Part XII.6 tax for the same period. Assuming the extension will be enacted, as of September 30, 2020, the Corporation is required to spend \$678,000 of flow-through funds by December 31, 2021 and \$18.6 million of flow-through funds by December 31, 2022. If the extension is not finalized by the Department of Finance, the dates for the flow-through spend requirements will be moved up by one year.

3) Asset acquisitions

The following table summarizes the asset acquisitions during the period ended September 30, 2020:

Consideration paid	Regcourt Property	Louvem Property	Total
Share consideration	\$ 128	\$ 5	\$ 133
Cash consideration	-	10	10
Transaction costs	13	-	13
	\$ 141	\$ 15	\$ 156

Net assets acquired	Regcourt Property	Louvem Property	Total
Exploration and evaluation assets	\$ 141	\$ 15	\$ 156
Total net assets acquired	\$ 141	\$ 15	\$ 156

a) Acquisition of Regcourt Property

On March 16, 2020, O3 Mining completed the acquisition of the Regcourt Property from Monarch Gold Corporation ("Monarch"). O3 Mining acquired the property from Monarch in exchange for 113,637 common shares of O3 Mining.

The acquisition has been accounted for as an acquisition of assets as the Regcourt Property does not meet the definition of a business under IFRS 3. The transaction was recorded at the fair value of the consideration transferred of \$141,000 as detailed in the table above.

b) Acquisition of Louvem Property

On March 16, 2020, O3 Mining completed the acquisition of the Louvem Property from Monarch. O3 Mining acquired 50% of the property from Monarch in exchange for 4,546 common shares of O3 Mining, subject to a 1% net smelter return ("NSR") royalty granted to Monarch on the Louvem Property with a 0.5% NSR royalty buy-back for \$300,000.

The acquisition has been accounted for as an acquisition of assets as the Louvem Property does not meet the definition of a business under IFRS 3. The transaction was recorded at the fair value of the consideration transferred of \$15,000 as detailed in the table above.

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(Unaudited)

4) Marketable securities

The Corporation holds shares and warrants in various public and private companies. During the three and nine-month period ended September 30, 2020, these shares and warrants were fair valued, and this resulted in an unrealized gain of \$478,000 and \$4,413,000 respectively (2019 – loss of \$719,000 and \$719,000). The Corporation sold shares during the three and nine-month period ended which resulted in a realized gain of \$3,785,000 and \$3,002,000 respectively (2019 – loss of \$510,000 and \$510,000).

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, 2020 and are therefore classified as level 1 within the fair value hierarchy.

The warrants in the various public companies are classified as FVTPL and are recorded at fair value using a Black-Scholes option pricing model using observable inputs and are therefore classified as level 2 within the fair value hierarchy.

The following table summarizes information regarding the Corporation's marketable securities as at September 30, 2020 and December 31, 2019:

<i>As at</i>	September 30, 2020	December 31, 2019
Balance, beginning of period	\$ 10,172	\$ -
Additions	2,042	3,034
Acquisitions	-	10,724
Disposals	(6,092)	(2,582)
Share consideration from disposition of exploration and evaluation assets (note 7(a))	2,146	-
Realized gain/(loss)	3,002	(510)
Unrealized gain/(loss)	4,413	(494)
Balance, end of period	\$ 15,683	\$ 10,172

5) Expenses

The following table summarizes information regarding the Corporation's expenses from continuing operations for the three and nine-month period ended September 30, 2020 and 2019:

<i>For the period ended</i>	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Compensation expenses				
Stock-based compensation (note 9(d) and note 10)	\$ 803	\$ 1,376	\$ 2,371	\$ 1,376
Salaries and benefits	493	78	1,494	108
Total compensation expenses	\$ 1,296	\$ 1,454	\$ 3,865	\$ 1,484
General and administration expenses				
Shareholder and regulatory expense	\$ 70	\$ 69	\$ 300	\$ 78
Travel expense	24	32	72	32
Professional fees	225	260	1,059	309
Office expense	97	175	315	183
Total general and administration expenses	\$ 416	\$ 536	\$ 1,746	\$ 602
Marketable securities				
Realized (gain)/loss from marketable securities (note 4)	(3,785)	\$ 510	\$ (3,002)	\$ 510
Unrealized (gain)/loss from marketable securities (note 4)	(478)	719	(4,413)	719
Total marketable securities (gain)/loss	\$ (4,263)	\$ 1,229	\$ (7,415)	\$ 1,229

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Notes to Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2020 and 2019

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

6) Property, plant and equipment

The following table summarizes information regarding the Corporation's property, plant and equipment as at September 30, 2020:

Class	September 30, 2020								Net book value
	Cost				Accumulated depreciation				
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Depreciation	Disposals	Closing balance	
Computer Equipment	\$ 87	\$ 24	\$ -	\$ 111	\$ 11	\$ 22	\$ -	\$ 33	\$ 78
Office Equipment	9	-	-	9	1	1	-	2	7
Office Buildings	84	897	(84)	897	18	44	(40)	22	875
Exploration Equipment	102	297	-	399	10	27	-	37	362
Milling Plant	-	290	-	290	-	-	-	-	290
Leasehold Improvements	-	144	-	144	-	-	-	-	144
Automobiles	13	-	(6)	7	1	3	(5)	(1)	8
Total	\$ 295	\$ 1,652	\$ (90)	\$ 1,857	\$ 41	\$ 97	\$ (45)	\$ 93	\$ 1,764

a) Milling plant option

On May 14, 2020, O3 Mining announced that it had entered into an option agreement with QMX Gold Corp. to acquire a 100% interest in the Aurbel Mill, which is a fully permitted mining facility, located 10 kilometres from O3 Mining's Alpha property. The option grants O3 Mining the right to acquire the Aurbel Mill, the tailings and all its associated permits and liabilities, for a purchase price of \$5 million (subject to adjustment in certain circumstances) at any time during a six-year term. The Corporation has paid a deposit of \$250,000 for the option and must contribute \$87,500 per annum during the six-year term for maintenance costs associated with the Aurbel Mill to maintain the option agreement.

7) Exploration and evaluation assets

The following table summarizes information regarding the Corporation's exploration and evaluation assets as at September 30, 2020:

	December 31, 2019	Acquisitions (note 3)	Additions	Disposals (note 7(a))	Impairment losses (note 7(b))	September 30, 2020
Kan - James Bay	\$ 233	\$ -	\$ 17	\$ -	\$ -	\$ 250
Éléonore – James Bay	212	-	8	-	(220)	-
Éléonore JV – James Bay	200	-	39	-	(239)	-
Other – James Bay	270	-	102	-	(372)	-
FCl - Corvette Lithium	(35)	-	(27)	-	-	(62)
Éléonore Opinaca	1,013	-	-	-	-	1,013
Tortigny	793	-	126	(919)	-	-
Launay	1,000	-	3	-	-	1,003
Malartic Block	61,625	15	1,518	-	-	63,158
Garrison Block	23,628	-	369	-	-	23,997
Hemlo	255	-	-	(255)	-	-
Alpha	35,822	-	5,904	-	-	41,726
Harricana	1,649	-	-	-	-	1,649
East Cadillac	10,025	141	3,023	-	-	13,189
Total exploration and evaluation assets	\$ 136,690	\$ 156	\$ 11,082	\$ (1,174)	\$ (831)	\$ 145,923

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7) Exploration and evaluation assets (continued)

a) Disposition of exploration and evaluation assets

On April 28, 2020, O3 Mining completed a transaction with Troilus Gold Corp. ("Troilus"), under which the Corporation disposed of a package of 627 claims forming part of the Tortigny Property in exchange for (i) 1,700,000 common shares of Troilus, and (ii) a 2% NSR royalty over the 627 claims sold to Troilus (subject to a 1% buy-back in favour of Troilus for \$1.0 million). Consideration for the claims was fair valued at \$1,398,000 (less transaction costs of \$64,000). Book value of the properties on the date of disposition was \$885,000, resulting in a gain on sale of exploration and evaluation assets of \$513,000.

On April 29, 2020, O3 Mining completed a transaction with Kenorland Minerals Ltd. ("Kenorland"), under which the Corporation disposed of a package of 24 claims forming part of the Tortigny Property in exchange for (i) cash consideration of \$900,000, and (ii) a 2% NSR royalty over the 24 claims sold to Kenorland (subject to a 1% buy-back in favour of Kenorland for \$1 million). Consideration for the claims was \$861,000 (less transaction costs of \$39,000). Book value of the properties on the date of disposition was \$34,000, resulting in a gain on sale of exploration and evaluation assets of \$827,000.

On May 1, 2020, O3 Mining completed a transaction with Blue Thunder Mining Inc. ("Blue Thunder"), under which the Corporation disposed of the Fancamp and Embry properties located in the Chibougamau mining district of Québec in exchange for (i) 4,514,436 common shares of Blue Thunder, and (ii) a 2% NSR royalty over the Fancamp and Embry properties (subject to a 1% buy-back in favour of Blue Thunder for CDN \$750,000). Consideration for the properties was fair valued at \$333,000 (less transaction costs of \$96,000). Book value of the properties on the date of disposition was \$nil, resulting in a gain on sale of exploration and evaluation assets of \$333,000.

On May 8, 2020, O3 Mining completed a transaction with Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.) ("Hemlo"), under which the Corporation disposed of the Hemlo properties in exchange for (i) 2,550,000 common shares of Hemlo, and (ii) a discovery bonus of CDN \$1,000,000, payable in cash or shares at Hemlo's option, if in the future Hemlo publishes a feasibility study in respect of the Hemlo properties containing at least 2,000,000 ounces of gold. Consideration for the properties was fair valued at \$242,000 (less transaction costs of \$14,000). Book value of the properties on the date of disposition was \$254,000, resulting in a loss on sale of exploration and evaluation assets of \$12,000.

On July 22, 2020, O3 Mining completed a transaction with HighGold Mining Inc. ("HighGold"), under which the Corporation disposed of a package of 3 claims forming the Munro property in exchange for cash consideration of \$75,000. Consideration for the claims was \$72,000 (less transaction costs of \$3,000). Book value of the properties on the date of disposition was \$nil, resulting in a gain on sale of exploration and evaluation assets of \$72,000.

b) Impairment of exploration and evaluation assets

During the period ended September 30, 2020, the Corporation decided to terminate the earn-in agreement with Osisko Gold Royalties Ltd. ("Osisko GR") and return all the James Bay properties, for which earn-in rights were previously obtained, other than Kan property and the FCI property. Due to this triggering event, the Corporation determined that the carrying amount of the exploration assets of the James Bay properties exceeded its recoverable amount and as such recorded an impairment of \$831,000 for the period ended September 30, 2020.

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

8) 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 following table summarizes the Corporation's asset retirement obligation as at September 30, 2020:

As at	September 30, 2020	December 31, 2019
Balance, beginning of period	\$ 570	\$ -
Acquisitions	-	246
Accretion	2	4
Change in estimate	30	320
Balance, end of period	\$ 602	\$ 570

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

For the period ended September 30,	2020
Total undiscounted value of payments	\$ 611
Weighted average discount rate	0.36%
Weighted average expected life	4.25 years
Inflation rate	2.00%

9) Capital and other components of equity

a) Share capital – authorized

	Number of Common Shares ¹	Amount
Balance, January 1, 2019	600,249	\$ 2,827
Issuance of shares on acquisition of assets from Osisko	24,977,898	96,914
Issuance of shares on acquisition of Chalice	3,092,784	9,278
Issuance of shares on acquisition of Alexandria	9,557,956	27,909
Issuance of shares on acquisition of Harricana Mining	773,193	2,003
Issuance of shares on acquisition of option to acquire Garrison claims	64,433	158
Issuance of shares on acquisition of Simkar Property	435,000	1,122
Issuance of shares on acquisition of Bourlamaque claims	42,017	109
Private placement (net of transaction costs (\$1,489,000))	4,772,042	11,609
Private placement (net of transaction costs (\$733,000))	2,400,000	5,867
Issuance of shares on settlement of debt	211,643	529
Balance December 31, 2019	46,927,215	\$ 158,325
Issuance of shares upon exercise of warrants (note 9(e))	100	1
Issuance of shares on acquisition of Regcourt Property (note 3)	113,637	128
Issuance of shares on acquisition of Louvem Property (note 3)	4,546	5
Private placement (net of transaction costs (\$2,366,000)) (note 9(a))	13,251,010	25,850
Balance September 30, 2020	60,296,508	\$ 184,309

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

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9) Capital and other components of equity (continued)

a) Share capital – authorized (continued)

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 regards to the Corporation's residual assets.

On March 16, 2020, the Corporation acquired the Regcourt property. In consideration for the acquisition of the Regcourt property, the Corporation issued an aggregate of 113,637 common shares of the Corporation at \$1.13 per share for total share consideration of \$128,000 (note 3(a)).

On March 16, 2020, the Corporation acquired the Louvem property. In consideration for the acquisition of the Louvem property, the Corporation issued an aggregate of 4,546 common shares of the Corporation at \$1.13 per share for total share consideration of \$5,000 (note 3(b)).

On June 19, 2020, O3 Mining completed a private placement of 4,651,200 flow-through units of the Corporation at a price of \$4.30 per flow-through unit for gross proceeds of \$20 million. Each flow-through unit is comprised of one common share, issued as a flow-through share of the corporation, and one-half of one common share purchase warrant. Each common share purchase warrant is exercisable into one common share of the Corporation until June 19, 2022, at an exercise price of \$3.25 and is valued at \$0.56 per common share purchase warrant for a total value of \$1,306,000. The flow-through shares were issued at a premium of \$1.78 to the current market price of the Corporation's common shares at the day of issue and the value of the warrant. The premium was recognized as a long-term liability for \$8,277,000 with a subsequent pro-rata reduction of the liability recognized as flow-through premium income as the required expenditures are incurred. The transaction costs amounted to \$1,177,000 and have been netted against the gross proceeds on closing.

On June 19, 2020, O3 Mining completed a private placement of 8,599,810 units of the Corporation at a price of \$2.35 per unit for gross proceeds of \$20.2 million. Each unit is comprised of one common share of the corporation and one-half of one common share purchase warrant. Each common share purchase warrant is exercisable into one common share of the Corporation until June 19, 2022, at an exercise price of \$3.25 and is valued at \$0.56 per common share purchase warrant for a total value of \$2,412,000. The transaction costs amounted to \$1,189,000 and have been netted against the gross proceeds on closing.

During the three and nine-month period ended September 30, 2020, flow-through premium income of \$1,459,000 and \$3,145,000 respectively (2019 – \$123,000 and \$123,000), relating to flow-through shares issued by the Corporation, was recognized.

During the period ended September 30, 2020, a total of 100 common shares of the Corporation were issued in exchange for the exercise of 100 warrants.

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9) Capital and other components of equity (continued)

b) Basic earnings and loss per share

The calculation of basic earnings and loss per share for the three and nine-month period ended September 30, 2020 and 2019 was based on the income and loss attributable to common shareholders and a basic weighted average number of common shares outstanding, calculated as follows:

<i>For the period ended</i>	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Common shares outstanding, at beginning of the period ¹	60,296,508	600,249	46,927,215	600,249
Common shares issued during the period ¹	-	38,138,226	5,115,493	13,250,410
Basic weighted average number of common shares ¹	60,296,508	38,738,475	52,042,708	13,850,659
	-	-	-	-
(Income)/Loss	\$ (2,579)	\$ 2,615	\$ (3,921)	\$ 2,711
Basic (earnings)/loss per share	\$ (0.04)	\$ 0.07	\$ (0.08)	\$ 0.20

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

c) Diluted earnings and loss per share

The calculation of diluted earnings per share for the three and nine-month period ended September 30, 2020 was based on the income attributable to common shareholders and a basic weighted average number of common shares outstanding, adjusted for the effect of each stock option where the exercise price exceeds the average market price of ordinary shares during the period and vested deferred share units ("DSUs").

During the three and nine-month period ended September 30, 2020 there were no vested restricted share units ("RSUs") and the average market price of ordinary shares during the period did not exceed the exercise price of the vested warrants. As a result, no adjustment was made to the basic weighted average number of common shares outstanding for these instruments.

The Corporation incurred losses for the three and nine-month period ended September 30, 2019, therefore all outstanding stock options, warrants, RSUs and DSUs have been excluded from the calculation of diluted loss per share since the effect would be anti-dilutive:

<i>For the period ended</i>	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Basic weighted average number of common shares ¹ (note 10(b))	60,296,508	38,738,475	52,042,708	13,850,659
Effect of dilutive stock options	54,690	-	-	-
Effect of dilutive DSUs	31,483	-	16,846	-
Diluted weighted average number of common shares ¹	60,382,681	38,738,475	52,059,554	13,850,659
	-	-	-	-
(Income)/Loss	\$ (2,579)	\$ 2,615	\$ (3,921)	\$ 2,711
Diluted (earnings)/loss per share	\$ (0.04)	\$ 0.07	\$ (0.08)	\$ 0.20

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

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9) Capital and other components of equity (continued)

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 up to 5 years from the date of grant.

The following table summarizes the stock option transactions for the period ended September 30, 2020 and the year ended December 31, 2019:

	Number of stock options ¹	Weighted-average exercise price
Outstanding at January 1, 2019	44,500	\$ 2.29
Granted	2,852,009	3.02
Cancelled	(44,500)	2.29
Expired	(4,510)	5.54
Outstanding at December 31, 2019	2,847,499	\$ 3.01
Granted	1,370,000	2.50
Forfeited	(200,000)	3.07
Expired	(3,608)	5.54
Outstanding at September 30, 2020	4,013,891	\$ 2.83

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

On February 14, 2020, 1,370,000 stock options were issued to directors, management, and employees, at an exercise price of \$2.50 for a period of 5 years. The options have been fair valued using the Black-Scholes option-pricing model.

The total recognized expense for stock options for the three and nine-month period ended September 30, 2020 was \$616,000 and \$1,915,000 (2019 - \$1,768,000 and \$1,768,000) from which \$27,000 and \$nil (2019 - \$392,000 and \$392,000) was capitalized to exploration and evaluation assets.

The following table summarizes the weighted average assumptions used for the valuation of the stock options issued during the period ended September 30, 2020 and the year ended December 31, 2019:

<i>For the period/year ended</i>	September 30, 2020	December 31, 2019
Fair value at grant date	\$ 1.40	\$ 1.55
Forfeiture rate	3.9%	3.4%
Share price at grant date	\$ 2.50	\$ 3.00
Exercise price	\$ 2.50	\$ 3.02
Expected volatility	77%	80%
Dividend yield	0.0%	0.0%
Option life (weighted average life)	3.8 years	3 years
Risk-free interest rate (based on government bonds)	1.41%	1.35%

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9) Capital and other components of equity (continued)

d) Contributed surplus (continued)

The following table summarizes information regarding the Corporation's outstanding and exercisable stock options as at September 30, 2020:

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 (\$)
2.44 to 2.92	4.0	1,831,701	\$2.53	2.1	236,701	\$2.77
2.93 to 3.20	3.9	2,055,000	\$3.07	3.9	1,370,004	\$3.07
3.21 to 3.47	1.3	109,149	\$3.33	1.3	109,149	\$3.33
3.48 to 3.60	1.5	18,041	\$3.60	1.5	18,041	\$3.60
2.44 to 3.60	4.1	4,013,891	\$2.83	3.4	1,733,895	\$3.05

e) Warrants

The following table summarizes the transactions pertaining to the Corporation's outstanding standard warrants for the period ended September 30, 2020 and the year ended December 31, 2019. These warrants are exercisable at one warrant for one common share of the Corporation:

	Number of warrants	Weighted-average exercise price
Outstanding at January 1, 2019	-	\$ -
Issuance of warrants on private placement	5,010,644	4.43
Issuance of warrants on acquisition of Alexandria	477,174	4.15
Issuance of warrants on acquisition of Simkar Property	435,000	4.20
Expired	(477,174)	4.15
Outstanding at December 31, 2019	5,445,644	\$ 4.41
Issuance of warrants on private placement (note 9(a))	6,625,505	3.25
Exercised	(100)	4.46
Outstanding at September 30, 2020	12,071,049	\$ 3.78

The following table summarizes the weighted average assumptions used for the valuation of the warrants issued during the period ended September 30, 2020 and the year ended December 31, 2019:

<i>For the period/year ended</i>	September 30, 2020	December 31, 2019
Fair value at grant date	\$ 0.56	\$ 1.01
Forfeiture rate	0.0%	0.0%
Share price at grant date	\$ 2.18	\$ 3.40
Exercise price	\$ 3.25	\$ 4.39
Expected volatility	98%	83%
Dividend yield	0.0%	0.0%
Warrant life (weighted average life)	1 year	1.4 years
Risk-free interest rate (based on government bonds)	0.30%	1.61%

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10) Restricted share unit and deferred share unit plans

In August 2019, O3 Mining established an RSU plan and a DSU plan. Under these plans, RSUs can be granted to executive officers and key employees and DSUs can be granted to non-executive directors, 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 and DSUs 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 and DSU represents an entitlement to one common share of the Corporation.

The following table summarizes information regarding the Corporation's outstanding and exercisable RSUs and DSUs for the period ended September 30, 2020 and the year ended December 31, 2019:

	Number of DSUs	Number of RSUs
Outstanding at January 1, 2019	-	-
Granted	-	390,000
Outstanding at December 31, 2019	-	390,000
Granted	41,479	150,000
Forfeited	-	(50,000)
Outstanding at September 30, 2020	41,479	490,000

During the period ended September 30, 2020, 41,479 DSUs were issued to the directors in lieu of directors' fees. The weighted average fair value of the DSU granted was \$2.28 per DSU initially at the closing price of the common shares of the Corporation on the date of grant. The DSUs vest immediately on the date of grant.

During the period ended September 30, 2020, 150,000 RSUs were issued to management. The weighted average fair value of the RSUs granted was \$2.46 per RSU initially at the closing price of the common shares of the Corporation on the date of grant. The RSUs vest on the third anniversary date from the date of grant.

As at September 30, 2020 the share-based payment liability related to each RSU and DSU was re-measured to fair value at the Corporation's closing share price of \$3.13.

The total recognized expense for RSUs and DSUs of the Corporation for the three and nine-month period ended September 30, 2020 was \$252,000 and \$488,000 (2019 - \$47,000 and \$47,000) from which \$39,000 and \$33,000 (2019 - \$nil) was capitalized to exploration and evaluation assets.

11) 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.

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11) Related party transactions (continued)

During the three and nine-month period ended September 30, 2020, management fees, geological services, rent and administration fees of \$162,000 and \$874,000 (2019 - \$592,000 and \$592,000) were incurred with Osisko Mining Inc. ("Osisko Mining"), a related company of the Corporation by virtue of Osisko Mining having significant influence over the Corporation. Also, Mr. John Burzynski, Chairman of the Board of Directors of the Corporation, serves as Executive Chairman, CEO, and Director of Osisko Mining and Mr. José Vizquerra, President and CEO of O3 Mining, serves as a Director of Osisko Mining. Accounts payable and accrued liabilities to Osisko Mining as at September 30, 2020 were \$51,000 (2019 - \$633,000).

During the three and nine-month period ended September 30, 2020, claim maintenance fees of 17,000 and \$140,000 (2019 - \$16,000 and \$16,000) were incurred with Osisko GR, a related company of the Corporation under IFRS by virtue of Osisko GR owning or controlling, directly or indirectly, greater than 10% of the issued and outstanding common shares of Osisko Mining, which has significant influence over the Corporation. Also, Mr. John Burzynski, Chairman of the Board of Directors of the Corporation, serve as a Director of Osisko GR. Accounts payable to Osisko GR as at September 30, 2020 were \$nil (2019 - \$16,000).

The following table summarizes remuneration attributable to key management personnel for the three and nine-month period ended September 30, 2020 and 2019:

<i>For the period ended</i>	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Salaries expense of key management	\$ 145	\$ 108	\$ 435	\$ 108
Directors' fees	120	89	360	89
Stock-based compensation	443	705	1,278	705
Total	\$ 708	\$ 902	\$ 2,073	\$ 902

12) Income taxes

The following table outlines the composition of the current tax expense and deferred tax expense/(recovery) between income and mining tax for the period ended September 30, 2020:

<i>For the period ended</i>	September 30, 2020	September 30, 2019
Current income tax expense	\$ 564	\$ -
Total current tax expense	\$ 564	\$ -
Deferred income tax expense/(recovery)	\$ 486	\$ (305)
Deferred mining tax expense	1,016	-
Total deferred tax expense/(recovery)	\$ 1,502	\$ (305)
Total current and deferred tax expense/(recovery)	\$ 2,066	\$ (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.

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12) Income taxes (continued)

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

<i>As at</i>	September 30, 2020	December 31, 2019
Deferred tax liability		
Deferred income tax liability on net taxable temporary differences	\$ (992)	\$ (506)
Deferred mining tax liability on net taxable temporary differences	(2,025)	(1,009)
Total deferred tax liability	\$ (3,017)	\$ (1,515)

13) Commitments

The Corporation has the following exploration commitments as at September 30, 2020:

	Total	2020	2021	2022	2023	2024	2025
Office leases	\$ 17	\$ 16	\$ 1	-	-	-	-
Camp trailers and equipment leases	48	4	17	17	10	-	-
Total	\$ 65	\$ 20	\$ 18	\$ 17	\$ 10	\$ -	\$ -

On July 7, 2020, the Department of Finance proposed to extend the flow-through funds spend period and the look-back rule by one year, including suspending the Part XII.6 tax for the same period. Assuming the extension will be enacted, as of September 30, 2020, the Corporation has the following flow-through funds to be spent. If the extension is not finalized by the Department of Finance, the dates for the flow-through spend requirements will be moved up by one year.

Closing Date of Financing	Province	Deadline for spending	Remaining Flow-through Funds
September 26, 2019	Québec	December 31, 2021	\$ 678
June 19, 2020	Québec	December 31, 2022	18,555
Total			\$ 19,233

The Corporation is subject to Part XII.6 taxes on any unspent flow-through expenditures after February 1, 2021 for flow-through funds raised in 2019 and February 1, 2022 for flow-through funds raised in 2020. If the extension is not finalized by the Department of Finance, the dates to incur Part XII.6 taxes will be moved up by one year.

The Corporation is also committed to an annual \$25,000 advanced royalty payment on the Gold Pike Project.

14) Subsequent event

On November 9, 2020, O3 Mining announced that it had completed the purchase of the remaining 50% Northern Star claims (also known as the Virginia claims) from 9265-991 Québec Inc for \$200,000. These claims are located near the Marban deposit and form part of the Malartic Property.