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**Condensed Interim Consolidated Financial Statements**  
**For the three-month periods ended March 31, 2021 and 2020**  
**Presented in Canadian dollars**  
**(Unaudited)**

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# O3 Mining

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# O3 Mining

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

As at	March 31, 2021	December 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 62,277	\$ 34,269
Other receivables	43	812
Advances and prepaid expenses	467	432
Taxes recoverable	1,716	1,238
Marketable securities (note 3)	14,939	19,036
Assets of disposal group held for sale (note 4)	-	24,850
<b>Total current assets</b>	<b>79,442</b>	<b>80,637</b>
<b>Non-current assets</b>		
Investment in associate (note 5)	50,832	-
Property, plant and equipment (note 6)	2,410	2,376
Exploration and evaluation assets (note 7)	136,941	127,390
Long-term receivables	650	650
<b>Total non-current assets</b>	<b>190,833</b>	<b>130,416</b>
<b>Total assets</b>	<b>\$ 270,275</b>	<b>\$ 211,053</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 4,972	\$ 3,251
Current lease liabilities	167	181
Liabilities of disposal group held for sale (note 4)	-	1,289
<b>Total current liabilities</b>	<b>5,139</b>	<b>4,721</b>
<b>Non-current liabilities</b>		
Flow-through premium liability (note 10(a))	17,184	6,128
Share-based payment liability (note 8)	803	801
Non-current lease liabilities	860	893
Deferred tax liability (note 9)	5,036	3,775
<b>Total non-current liabilities</b>	<b>23,883</b>	<b>11,597</b>
<b>Total liabilities</b>	<b>29,022</b>	<b>16,318</b>
<b>Equity</b>		
Share capital (note 10(a))	202,221	184,150
Contributed surplus (note 10(d))	7,602	6,816
Warrants (note 10(e))	9,399	9,628
Retained earnings	22,031	(5,859)
<b>Total equity attributed to equity holders of the Corporation</b>	<b>241,253</b>	<b>194,735</b>
<b>Total liabilities and equity</b>	<b>\$ 270,275</b>	<b>\$ 211,053</b>

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

### Commitments (note 13) Subsequent events (note 14)

# O3 Mining

## 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)

<i>For the period ended</i>	Three months ended	
	March 31, 2021	March 31, 2020
<b>Expenses/(income)</b>		
Compensation expenses (note 11)	\$ 1,081	\$ 1,098
General and administration expenses (note 11)	595	677
General exploration expenses	20	23
Flow-through premium income (note 10(a))	(3,823)	(1,341)
Gain on disposition of disposal group held for sale (note 4)	(25,936)	-
(Gain)/loss from marketable securities (note 3)	(937)	1,985
Gain on disposition of exploration and evaluation assets (note 7)	(97)	-
Other income	-	(4)
<b>Operating (income)/loss</b>	<b>(29,097)</b>	<b>2,438</b>
Finance income	(87)	(78)
Finance costs	33	25
<b>Net finance income</b>	<b>(54)</b>	<b>(53)</b>
<b>(Income)/loss before tax</b>	<b>(29,151)</b>	<b>2,385</b>
Deferred income tax expense (note 9)	1,261	422
<b>(Income)/loss and comprehensive (income)/loss</b>	<b>\$ (27,890)</b>	<b>\$ 2,807</b>
<b>Basic (earnings)/loss per share (note 10(b))</b>	<b>\$ (0.44)</b>	<b>\$ 0.06</b>
<b>Weighted average number of shares (note 10(b))</b>	<b>63,329,027</b>	<b>46,946,949</b>
<b>Diluted (earnings)/loss per share (note 10(c))</b>	<b>\$ (0.44)</b>	<b>\$ 0.06</b>
<b>Diluted weighted average number of shares (note 10(c))</b>	<b>63,521,015</b>	<b>46,946,949</b>

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

# O3 Mining

## 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	Share Capital	Warrants	Contributed Surplus	Retained Earnings	Total
<b>Balance January 1, 2021</b>	<b>60,330,966</b>	<b>\$ 184,150</b>	<b>\$ 9,628</b>	<b>\$ 6,816</b>	<b>\$ (5,859)</b>	<b>\$ 194,735</b>
Income for the period	-	-	-	-	27,890	27,890
Stock-based compensation	-	-	-	557	-	557
Expiry of warrants	-	-	(229)	229	-	-
Private placement (net of transaction costs (\$2,050,000)) (note 10(a))	7,709,300	18,071	-	-	-	18,071
<b>Balance March 31, 2021</b>	<b>68,040,266</b>	<b>\$ 202,221</b>	<b>\$ 9,399</b>	<b>\$ 7,602</b>	<b>\$ 22,031</b>	<b>\$ 241,253</b>

*Attributable equity to owners of the Corporation*

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit and Accumulated Deficit	Total
<b>Balance January 1, 2020</b>	<b>46,927,215</b>	<b>\$ 158,325</b>	<b>\$ 5,911</b>	<b>\$ 4,483</b>	<b>\$ (9,072)</b>	<b>\$ 159,647</b>
Loss for the period	-	-	-	-	(2,807)	(2,807)
Stock-based compensation	-	-	-	545	-	545
Issuance of shares upon exercise of warrants	100	1	(1)	-	-	-
Issuance of shares on acquisition of Regcourt Property	113,637	128	-	-	-	128
Issuance of shares on acquisition of Louvem Property	4,546	5	-	-	-	5
<b>Balance March 31, 2020</b>	<b>47,045,498</b>	<b>\$ 158,459</b>	<b>\$ 5,910</b>	<b>\$ 5,028</b>	<b>\$ (11,879)</b>	<b>\$ 157,518</b>

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

# O3 Mining

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

<i>For the period ended</i>	<b>March 31, 2021</b>	<b>March 31, 2020</b>
<b>Cash flows provided by/(used in) operating activities</b>		
Income/(loss) for the period	\$ 27,890	\$ (2,807)
Adjustments for:		
Stock-based compensation (note 10(d))	479	626
Depreciation (note 6)	2	3
Accretion on asset retirement obligation	-	1
Flow-through premium income (note 10(a))	(3,823)	(1,341)
Gain on disposition of disposal group held for sale (note 4)	(25,936)	-
Marketable securities (gain)/loss (note 3)	(937)	1,985
Gain on disposition of exploration and evaluation assets (note 7)	(97)	-
Interest income	(87)	(78)
Interest expense on lease liabilities	14	-
Deferred income tax expense (note 9)	1,261	422
	<b>(1,234)</b>	<b>(1,189)</b>
Change in items of working capital:		
Change in other receivables	769	244
Change in advances and prepaid expenses	(35)	(23)
Change in taxes recoverable	(453)	366
Change in accounts payable and accrued liabilities	(555)	(449)
<b>Net cash used in operating activities</b>	<b>(1,508)</b>	<b>(1,051)</b>
<b>Cash flows provided by/(used in) investing activities</b>		
Interest received	87	78
Acquisition of marketable securities (note 3)	(1,789)	(1,632)
Proceeds on disposition of marketable securities (note 3)	6,823	-
Acquisition of property, plant and equipment (note 6)	(106)	(73)
Addition to exploration and evaluation assets (note 7)	(8,349)	(3,036)
Proceeds on disposition of exploration and evaluation assets (note 7)	98	-
Addition to asset held for sale	(137)	-
Net cash and cash equivalents paid on asset acquisitions	-	(18)
<b>Net cash used in investing activities</b>	<b>(3,373)</b>	<b>(4,681)</b>
<b>Cash flows (used in)/provided by financing activities</b>		
Repayment of lease liabilities	(61)	(25)
Net cash received from private placements (note 10(a))	32,950	-
<b>Net cash provided by/(used in) financing activities</b>	<b>32,889</b>	<b>(25)</b>
<b>Increase in cash and cash equivalents</b>	<b>28,008</b>	<b>(5,757)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>34,269</b>	<b>16,702</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 62,277</b>	<b>\$ 10,945</b>

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

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## Notes to Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

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

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### **1) Reporting entity**

O3 Mining Inc. ("**O3 Mining**" or the "**Corporation**"), is a Canadian corporation domiciled in Canada. The Corporation was incorporated in British Columbia and continued to Ontario on June 28, 2019 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 March 31, 2021 include the Corporation and its subsidiaries, 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 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, 2020.

These condensed interim consolidated financial statements were authorized for issuance by the Corporation's board of directors (the "Board of Directors") on May 5, 2021.

#### **b) Significant accounting policies**

The significant accounting policies followed in these 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, 2020, except for policies adopted in the period ended March 31, 2021. The accounting policies set out below are in accordance with IFRS and have been applied to these unaudited condensed interim consolidated financial statements.

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## Notes to Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

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

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### **2) Basis of preparation (continued)**

#### **b) Significant accounting policies (continued)**

##### **Investment in associate**

Associates are entities over which the Corporation has significant influence, but not control. The financial results of the Corporation's investments in its associates are included in the Corporation's results according to the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Corporation's share of profits or losses of associates after the date of acquisition. The Corporation's share of profits or losses is recognized in the statement of loss and its share of other comprehensive loss or loss of associates is included in other comprehensive loss.

Unrealized gains on transactions between the Corporation and an associate are eliminated to the extent of the Corporation's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of loss.

The Corporation assesses at each period end whether there is any objective evidence that its investments in associates are impaired. If impaired, the carrying value of the Corporation's shares of the underlying assets of associates is written down to its estimated recoverable amount, being the higher of fair value less costs of disposal and value in use, and charged to the statement of loss.

#### **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, 2021. Many are not applicable or do not have a significant impact to the Corporation and have been excluded from the summary below.

##### **IAS 16, Property, Plant and Equipment ("IAS 16")**

In 2020, the IASB issued amendments to IAS 16, prohibiting an entity from deducting from the carrying amount of an asset any proceeds received from selling items produced while the entity is preparing the asset for its intended use. Instead, these proceeds should be included in the statement of comprehensive income. The amendments to IAS 16 are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted.

The Corporation elected to early adopt the amendment to IAS 16 in 2021. The amendment was also applied to 2020. Because it did not have a material impact, the information presented for 2020 have not been restated.

#### **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.



## Notes to Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

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

### 2) Basis of preparation (continued)

#### d) Use of critical estimates and judgements (continued)

In preparing these 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, 2020, except as noted below.

#### Novel coronavirus ("COVID-19"):

The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The Corporation suspended its operations in Québec due to COVID-19 on March 23, 2020 and resumed operations 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.

On December 16, 2020, the Department of Finance published draft legislation that proposes 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. Based on the draft legislation, as of March 31, 2021, the Corporation would be required to spend \$40,378,000 of flow-through funds by December 31, 2022. If the extension is not enacted by the Department of Finance, \$7,229,000 of the flow-through funds, which were raised in 2020, will have to be spent by December 31, 2021.

#### Determination of significant influence over equity investments:

Judgment is needed to assess whether the Corporation's interest in a marketable security meets the definition of significant influence and therefore would be accounted for under the equity method as opposed to fair value through profit and loss. Management makes this determination based on its legal ownership interest, board representation and through an analysis of the Corporation's participation in entities' policy making process.

On February 24, 2021, as part of the sale of its wholly owned subsidiary Northern Gold Mining Inc. ("Northern Gold"), the Corporation acquired 149,507,273 common shares of Moneta Porcupine Mines Inc. ("Moneta"), representing approximately 27.0% of the number of issued and outstanding common shares of Moneta on this date (note 4 and 5). Management determined it is able to exert significant influence over Moneta and accounts for this investment as an associate under the equity method.

### 3) Marketable securities

The Corporation holds shares and warrants in various public and private companies. During the period ended March 31, 2021, these shares and warrants were fair valued, and this resulted in an unrealized loss of \$2,791,000 (2020 – \$1,985,000). The Corporation sold shares during the period ended March 31, 2021 which resulted in a realized gain of \$3,728,000 (2020 – \$nil).

The shares in the various public companies are classified as FVTPL and are recorded at fair value using the quoted market price as at March 31, 2021 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.

## Notes to Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

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

(Unaudited)

### 3) Marketable securities (continued)

The following table summarizes information regarding the Corporation's marketable securities as at March 31, 2021:

<i>As at</i>	<b>March 31, 2021</b>
<b>Balance, beginning of period</b>	<b>\$ 19,036</b>
Additions	1,789
Disposals	(6,823)
Realized gain	3,728
Unrealized (loss)/gain	(2,791)
<b>Balance, end of period</b>	<b>\$ 14,939</b>

### 4) Assets and liabilities of disposal group classified as held for sale

During the year ended December 31, 2020, the Corporation announced its intention to dispose of its Garrison Project through the sale of its wholly owned subsidiary Northern Gold. Northern Gold owns 100% of the Golden Bear assets, including the Garrison Project, in the Kirkland Lake district of the Timmins gold mining camp in Ontario, Canada.

On February 24, 2021, the Corporation announced that it has closed a definitive share purchase agreement with Moneta, in which it has sold its wholly owned subsidiary, Northern Gold, in exchange for 149,507,273 common shares of Moneta.

Consideration for the sale of Northern Gold was fair valued at \$49,634,000 (less transaction costs of \$1,198,000). The net book value of the assets and associated liabilities of Northern Gold on the date of the sale was \$23,698,000, resulting in a gain on sale of the assets and associated liabilities held for sale of \$25,936,000.

### 5) Investment in associate

On February 24, 2021, as part of the sale of its wholly owned subsidiary Northern Gold, the Corporation acquired 149,507,273 common shares of Moneta, representing approximately 27.0% of the number of issued and outstanding common shares of Moneta on this date. The Corporation recorded an investment in associate at its fair value of \$50,832,000 based on the quoted market price of \$0.34 per common share of Moneta.

The trading price of Moneta's common shares on March 31, 2021 was \$0.36 per share which corresponds to a quoted market value of \$53,823,000 for the Corporation's investment in Moneta.

The equity accounting for Moneta is based on the fair market value of the common shares acquired on February 24, 2021 adjusted for any significant transactions between February 24, 2021 and March 31, 2021.

The Corporation's investment relating to its associate as of March 31, 2021 is detailed as follows:

<i>As at</i>	<b>March 31 2021</b>
<b>Balance, beginning of period</b>	<b>\$ -</b>
Investment in associate (note 4)	50,832
<b>Balance, end of period</b>	<b>\$ 50,832</b>

# O3 Mining

## Notes to Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(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 March 31, 2021:

Class	Cost			March 31, 2021 Accumulated depreciation			Net book value
	Opening balance	Additions	Closing balance	Opening balance	Depreciation	Closing balance	
Computer Equipment	\$ 137	\$ 35	\$ 172	\$ 25	\$ 11	\$ 36	\$ 136
Office Equipment	9	-	9	3	-	3	6
Buildings	1,122	12	1,134	45	22	67	1,067
Exploration Equipment	365	-	365	39	23	62	303
Milling Plant	299	-	299	-	-	-	299
Leasehold Improvements	556	59	615	-	16	16	599
<b>Total</b>	<b>\$ 2,488</b>	<b>\$ 106</b>	<b>\$ 2,594</b>	<b>\$ 112</b>	<b>\$ 72</b>	<b>\$ 184</b>	<b>\$ 2,410</b>

### 7) Exploration and evaluation assets

The following table summarizes information regarding the Corporation's exploration and evaluation assets as at March 31, 2020:

	December 31, 2020	Additions	Disposals	March 31, 2021
Kan - James Bay	\$ 236	\$ 1	\$ -	\$ 237
FCI - Corvette Lithium	(62)	(56)	-	(118)
Éléonore Opinaca	1,013	-	-	1,013
Launay	1,003	1	-	1,004
Malartic	65,207	3,496	(1)	68,702
Alpha	44,859	5,563	-	50,422
Harricana	1,649	-	-	1,649
East Cadillac	13,485	547	-	14,032
<b>Total exploration and evaluation assets</b>	<b>\$ 127,390</b>	<b>\$ 9,552</b>	<b>\$ (1)</b>	<b>\$ 136,941</b>

#### a) Disposition of exploration and evaluation assets

On January 28, 2021, the Corporation completed a transaction with Osisko Mining Inc. ("Osisko"), under which the Corporation disposed of the Blondeau Guillet Property in exchange for \$100,000 in cash. Consideration recorded for the claims was \$98,000 (less transaction costs of \$2,000). Book value of the properties on the date of disposition was \$1,000, resulting in a gain on sale of exploration and evaluation assets of \$97,000.

### 8) 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.

# O3 Mining

## Notes to Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

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

(Unaudited)

### 8) Restricted share unit and deferred share unit plans (continued)

The following table summarizes information regarding the Corporation's outstanding and exercisable RSUs and DSUs as at March 31, 2021:

	Number of DSUs	Number of RSUs
<b>Outstanding at December 31, 2020</b>	<b>51,440</b>	<b>490,000</b>
Granted	29,051	90,000
<b>Outstanding at March 31, 2021</b>	<b>80,491</b>	<b>580,000</b>

On January 5, 2021, 90,000 RSUs were issued to management. Each RSU has been fair valued at \$3.28 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.

On March 31, 2021, 29,051 DSUs were issued to directors. Each DSU has been fair valued at \$2.44 initially at the Corporation's closing share price on the date of grant. The DSUs vest immediately on the date of grant.

As at March 31, 2021 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 \$2.44.

The total recognized recovery for RSUs and DSUs of the Corporation for the period ended March 31, 2021 was \$2,000 (2020 – expense of \$21,000) from which \$2,000 was capitalized to exploration and evaluation assets (2020 - \$12,000, which was previously capitalized to exploration and evaluation assets, was reversed).

### 9) Income taxes

The following table outlines the composition of the deferred tax expense between income and mining tax for the period ended March 31, 2021:

<i>For the period ended</i>	March 31, 2021	March 31, 2020
Deferred income tax recovery	\$ (170)	\$ (206)
Deferred mining tax expense	1,431	628
<b>Total deferred tax expense</b>	<b>\$ 1,261</b>	<b>\$ 422</b>

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>	March 31, 2021	December 31, 2020
<b>Deferred tax liability</b>		
Deferred income tax liability on net taxable temporary differences	\$ (900)	\$ (1,068)
Deferred mining tax liability on net taxable temporary differences	(4,136)	(2,707)
<b>Total deferred tax liability</b>	<b>\$ (5,036)</b>	<b>\$ (3,775)</b>

# O3 Mining

## Notes to Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

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

(Unaudited)

### 10) Capital and other components of equity

#### a) Share capital – authorized

	Number of Common Shares	Amount
Balance December 31, 2020	60,330,966	\$ 184,150
Private placement (net of transaction costs (\$2,050,000))	7,709,300	18,071
<b>Balance March 31, 2021</b>	<b>68,040,266</b>	<b>\$ 202,221</b>

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 February 25, 2021, O3 Mining completed a private placement of 7,709,300 flow-through units of the Corporation at a price of \$4.54 per flow-through unit for gross proceeds of \$35 million. The flow-through shares were issued at a premium of \$1.93 to the current market price of the Corporation's common shares at the day of issue. The premium was recognized as a long-term liability of \$14,879,000 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 \$2,050,000 and have been netted against the gross proceeds on closing.

During the period ended March 31, 2021, flow-through premium income of \$3,823,000 (2020 - \$1,341,000) was recognized.

#### b) Basic earnings and loss per share

The calculation of basic earnings and loss per share for the periods ended March 31, 2021 and 2020 was based on the income and loss attributable to common shareholders and a basic weighted average number of common shares outstanding, calculated as follows:

For the period ended	Three months ended	
	March 31, 2021	March 31, 2020
Common shares outstanding, at beginning of the period	60,330,966	46,927,215
Common shares issued during the period	2,998,061	19,734
<b>Basic weighted average number of common shares</b>	<b>63,329,027</b>	<b>46,946,949</b>
<b>(Income)/Loss</b>	<b>\$ (27,890)</b>	<b>\$ 2,807</b>
<b>Basic (earnings)/loss per share</b>	<b>\$ (0.44)</b>	<b>\$ 0.06</b>

#### c) Diluted earnings and loss per share

The calculation of diluted earnings per share for the periods ended March 31, 2021 and 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 periods and DSUs.

During the periods ended March 31, 2021 and 2020 there were no vested RSU and the average market price of ordinary shares during the periods 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.

# O3 Mining

## Notes to Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

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

(Unaudited)

### 10) Capital and other components of equity (continued)

#### c) Diluted earnings and loss per share (continued)

The Corporation incurred losses for the period ended March 31, 2020, 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	
	March 31, 2021	March 31, 2020
Basic weighted average number of common shares (note 10(b))	63,329,027	46,946,949
Effect of dilutive stock options	140,547	-
Effect of dilutive DSUs	51,440	-
<b>Diluted weighted average number of common shares</b>	<b>63,521,015</b>	<b>46,946,949</b>
<b>(Income)/Loss</b>	<b>\$ (27,890)</b>	<b>\$ 2,807</b>
<b>Diluted (earnings)/loss per share</b>	<b>\$ (0.44)</b>	<b>\$ 0.06</b>

#### 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 March 31, 2021:

	Number of stock options	Weighted-average exercise price
<b>Outstanding at December 31, 2020</b>	<b>3,917,543</b>	<b>\$ 2.83</b>
Granted	890,000	3.26
Forfeited	(71,667)	2.91
<b>Outstanding at March 31, 2021</b>	<b>4,735,876</b>	<b>\$ 2.91</b>

On January 5, 2021, 890,000 stock options were issued to directors, management and employees, at an exercise price of \$3.26 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 period ended March 31, 2021 was \$558,000 (2020 - \$545,000) from which \$78,000 was capitalized to exploration and evaluation assets (2020 - \$48,000, which was previously capitalized to exploration and evaluation assets, was reversed).

The following table summarizes the weighted average assumptions used for the valuation of the stock options issued during the period ended March 31, 2021:

<i>For the period ended</i>	March 31, 2021
Fair value at grant date	\$ 1.81
Forfeiture rate	6.1%
Share price at grant date	\$ 3.26
Exercise price	\$ 3.26
Expected volatility	84%
Dividend yield	0.0%
Option life (weighted average life)	3.3 years
Risk-free interest rate (based on government bonds)	0.26%

# O3 Mining

## Notes to Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(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 information regarding the Corporation's outstanding and exercisable stock options as at March 31, 2021:

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	3.7	1,717,019	\$2.52	3.5	693,671	\$2.56
2.93 to 3.20	3.4	2,021,667	\$3.07	3.4	1,353,337	\$3.07
3.21 to 3.47	4.3	979,149	\$3.27	0.8	109,149	\$3.33
3.48 to 3.60	1.0	18,041	\$3.60	1.0	18,041	\$3.60
<b>2.44 to 3.60</b>	<b>3.7</b>	<b>4,735,876</b>	<b>\$2.91</b>	<b>3.3</b>	<b>2,174,198</b>	<b>\$2.92</b>

#### e) Warrants

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

	Number of warrants	Weighted-average exercise price
Outstanding at December 31, 2020	12,071,049	\$ 3.78
Expired	(238,602)	3.88
<b>Outstanding at March 31, 2021</b>	<b>11,832,447</b>	<b>\$ 3.77</b>

### 11) Expenses

The following table summarizes information regarding the Corporation's expenses for the periods ended March 31, 2021 and 2020:

For the period ended	Three months ended	
	March 31, 2021	March 31, 2020
<b>Compensation expenses</b>		
Stock-based compensation (note 8 and note 10(d))	\$ 479	\$ 626
Salaries and benefits	602	472
<b>Total compensation expenses</b>	<b>\$ 1,081</b>	<b>\$ 1,098</b>
<b>General and administration expenses</b>		
Shareholder and regulatory expense	\$ 147	\$ 65
Travel expense	-	46
Professional fees	321	421
Office expense	127	134
<b>Total general and administration expenses</b>	<b>\$ 595</b>	<b>\$ 666</b>
<b>Marketable securities</b>		
Realized gain from marketable securities (note 3)	\$ (3,728)	\$ -
Unrealized loss from marketable securities (note 3)	2,791	1,985
<b>Total marketable securities (gain)/loss</b>	<b>\$ (937)</b>	<b>\$ 1,985</b>

## Notes to Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

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

(Unaudited)

### 12) 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 period ended March 31, 2021, management fees, geological services, rent and administration fees of \$182,000 (2020 - \$482,000) were incurred with Osisko, 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 as at March 31, 2021 were \$63,000 (2020 - \$75,000).

On January 28, 2021, the Corporation completed a transaction with Osisko, under which the Corporation disposed of the Blondeau Guillet Property in exchange for \$100,000 in cash.

The following table summarizes remuneration attributable to key management personnel for the periods ended March 31, 2021 and 2020:

<i>For the period ended</i>	Three months ended	
	March 31, 2021	March 31, 2020
Salaries expense of key management	\$ 156	\$ 145
Directors' fees	120	120
Stock-based compensation	273	336
<b>Total</b>	<b>\$ 549</b>	<b>\$ 601</b>

### 13) Commitments

The Corporation has the following exploration commitments as at March 31, 2021:

	Total	2021	2022	2023	2024	2025	2026
Office leases	\$ 4	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -
Camp trailers and equipment leases	190	57	76	57	-	-	-
<b>Total</b>	<b>\$ 194</b>	<b>\$ 61</b>	<b>\$ 76</b>	<b>\$ 57</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

On December 16, 2020, the Department of Finance published draft legislation that proposes 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. Based on the draft legislation, as of March 31, 2021, the Corporation would be required to spend the following flow-through funds by December 31, 2022. If the extension is not enacted by the Department of Finance, the date for the flow-through spend requirements for the funds raised in 2020 will remain at December 31, 2021:

Closing Date of Financing	Province	Remaining Flow-through Funds
June 19, 2020	Québec	7,229
February 25, 2021	Québec	33,149
<b>Total</b>		<b>\$ 40,378</b>

Based on the draft legislation, as of March 31, 2021, the Corporation is subject to Part XII.6 taxes on any unspent flowthrough expenditures after February 1, 2022 for flow-through funds raised in 2020. If the extension is not enacted by the Department of Finance, the dates to incur Part XII.6 taxes on the 2020 raise will be moved up by one year.



# O3 Mining

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## Notes to Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

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

(Unaudited)

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### **14) Subsequent events**

On April 14, 2021, O3 Mining sold its Kinebik Gold Project to Tri Origin Exploration Ltd. ("Tri Origin") in exchange for 2,700,000 common shares of Tri Origin, equaling consideration of \$459,000.