O3 Mining

(formerly "Chantrell Ventures Corp.")

Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

Presented in Canadian dollars

(formerly "Chantrell Ventures Corp.")

March 11, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of O3 Mining Inc. ("O3 Mining" or the "Corporation"), were prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Management is responsible for ensuring that these consolidated financial statements, which include amounts based upon estimates and judgments, are consistent with other information and operating data contained in the annual financial review and reflect O3 Mining's business transactions and financial position.

Management is also responsible for the information disclosed in O3 Mining's management's discussion and analysis including responsibility for the existence of appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is complete and reliable in all material respects.

In addition, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. The internal control system includes a code of conduct and ethics, which is communicated to all levels in the organization and requires all employees to maintain high standards in their conduct of the corporation's affairs. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that O3 Mining's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. The Board of Directors meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews O3 Mining's management's discussion and analysis to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting O3 Mining's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(Signed) "Jose Vizquerra-Benavides"	(Signed) "Blair Zaritsky"
President and Chief Executive Officer	Chief Financial Officer

Independent auditor's report

To the Shareholders of O3 Mining Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of O3 Mining Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of loss and comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Comparative information

The financial statements of the Company for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on March 15, 2019.

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is James Lusby.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 11, 2020

(formerly "Chantrell Ventures Corp.")

Table of Contents

(formerly "Chantrell Ventures Corp.")

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

As at		December 31, 2019		December 31, 2018
Assets				
Current assets				
Cash and cash equivalents	$	16,702	$	93
Other receivables		734		3
Advances and prepaid expenses		213		7
Tax recoverable		2,867		-
Marketable securities (note 8)		10,172		-
Total current assets		**30,688**		**103**
Non-current assets				
Reclamation deposit		412		-
Property, plant and equipment (note 10)		254		-
Exploration and evaluation assets (note 11)		136,690		-
Total non-current assets		**137,356**		-
Total assets	**$**	**168,044**	**$**	**103**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	3,207	$	45
Current lease liabilities (note 4(a))		104		-
Total current liabilities		**3,311**		**45**
Non-current liabilities				
Flow-through premium liability (note 13(a))		2,781		-
Share-based payment liability (note 14)		143		-
Asset retirement obligation (note 12)		570		-
Non-current lease liabilities (note 4(a))		77		-
Deferred tax liability (note 18)		1,515		-
Total non-current liabilities		**5,086**		-
Total liabilities		**8,397**		**45**
Equity				
Share capital (note 13(a))		158,325		2,827
Contributed surplus (note 13(d))		4,483		2,163
Warrants (note 13(e))		5,911		-
Accumulated deficit		(9,072)		(4,932)
Total equity attributed to equity holders of the Corporation		**159,647**		**58**
Total liabilities and equity	**$**	**168,044**	**$**	**103**

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

Commitments (note 19)
Subsequent events (note 20)

On behalf of the Board:

(Signed) "Keith McKay"	(Signed) "John Burzynski"
Keith McKay, Director	John Burzynski, Chairman

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

For the year ended		December 31, 2019		December 31, 2018
Expenses/(income)				
Compensation expenses (note 9)	$	2,443	$	95
General and administration expenses (note 9)		1,485		70
General exploration expenses		34		-
Flow-through premium income (note 13(a))		(822)		-
Loss from marketable securities (note 8)		1,004		-
Realized loss from sale of equipment		7		-
Other income		(90)		-
Operating loss		**4,061**		**165**
Finance income		(284)		-
Finance costs		25		-
Net finance income		**(259)**		**-**
Loss for before tax		**3,802**		**165**
Deferred income tax expense (note 18)		338		-
Loss and comprehensive loss	**$**	**4,140**	**$**	**165**
Basic and diluted loss per share (note 13(b) and (c))	**$**	**0.19**	**$**	**0.31**
Weighted average number of shares (note 13(b) and (c))[1]		**21,617,668**		**528,865**

[1] *All years 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 consolidated financial statements.

O3 Mining

(formerly "Chantrell Ventures Corp.")

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

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**	**$ (4,767)**	**$ (76)**
Loss for the year	-	-	-	-	(165)	**(165)**
Stock-based compensation	-	-	-	35	-	**35**
Private Placement	135,000	264	-	-	-	**264**
Balance December 31, 2018	**600,249**	**$ 2,827**	**$ -**	**$ 2,163**	**$ (4,932)**	**$ 58**

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 year	-	-	-	-	(4,140)	**(4,140)**
Stock-based compensation	-	-	-	1,843	-	**1,843**
Issuance of warrants on private placement (note 13(a) and (e))	-	-	5,646	-	-	**5,646**
Issuance of shares on acqusition of assets from Osisko (note 5)	24,977,898	96,914	-	-	-	**96,914**
Private placement (net of transaction costs ($1,489,000)) (note 13(a))	4,772,042	11,609	-	-	-	**11,609**
Issuance of shares on acqusition of Chalice (note 5)	3,092,784	9,278	-	-	-	**9,278**
Issuance of shares on acqusition 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 acqusition of Harricana Mining (note 5)	773,193	2,003	-	-	-	**2,003**
Private placement (net of transaction costs ($733,000)) (note 10(a))	2,400,000	5,867	-	-	-	**5,867**
Issuance of shares on settlement of debt	211,643	529	-	-	-	**529**
Issuance of shares on acqusition of Garrison claims (note 5)	64,433	158	-	-	-	**158**
Issuance of shares on acqusition of Simkar Property (note 5)	435,000	1,122	-	-	-	**1,122**
Issuance of warrants on acquisition of Simkar Property (note 5)	-	-	265	-	-	**265**
Issuance of shares on acqusition of Bourlamaque claims (note 5)	42,017	109	-	-	-	**109**
Expiry of warrants (note 13(e))	-	-	(68)	68	-	**-**
Balance December 31, 2019	**46,927,215**	**$ 158,325**	**$ 5,911**	**$ 4,483**	**$ (9,072)**	**$ 159,647**

[(1)] *All years 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 consolidated financial statements.

(formerly "Chantrell Ventures Corp.")

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

For the year ended	**December 31, 2019**	**December 31, 2018**
Cash flows used in operating activities		
Loss for the year	$ (4,140)	$ (165)
Adjustments for:		
Marketable securities loss (note 8)	1,004	-
Depreciation	11	4
Realized loss on sale of property, plant and equipment (note 10)	7	-
Accretion on asset retirement obligation (note 12)	4	-
Flow-through premium income (note 13(a))	(822)	-
Stock-based compensation (note 13(d))	1,902	35
Deferred income tax expense (note 18)	338	-
Interest income	(284)	-
	(1,980)	**(126)**
Change in items of working capital:		
Change in other receivables	(245)	7
Change in advances and prepaid expenses	(170)	-
Change in accounts payable and accrued liabilities	(2,394)	(64)
Change in taxes recoverable	(389)	-
Net cash used in operating activities	**(5,178)**	**(183)**
Cash flows (used)/provided in investing activities		
Interest received	284	-
Increase in reclamation deposit (note 6)	(8)	-
Acquisition of marketable securities (note 8)	(2,824)	-
Proceeds on disposition of marketable securities (note 8)	2,582	-
Acquisition of property, plant and equipment (note 10)	(75)	-
Proceeds on disposition of property, plant and equipment (note 10)	-	2
Addition to exploration and evaluation assets (note 11)	(2,705)	-
Net cash and cash equivalents paid on asset acquisitions	(2,029)	-
Net cash (used)/provided in investing activities	**(4,775)**	**2**
Cash flows provided by financing activities		
Repayment of lease liabilities	(40)	-
Net cash received from private placements	26,602	265
Net cash provided by financing activities	**26,562**	**265**
Increase in cash and cash equivalents	**16,609**	**84**
Cash and cash equivalents, beginning of year	**93**	**9**
Cash and cash equivalents, end of year	**$ 16,702**	**$ 93**

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

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 consolidated financial statements of the Corporation at December 31, 2019 include the Corporation and its subsidiaries, Northern Gold Mining Inc., 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issuance by the Corporation's Board of Directors on March 11, 2020.

b) Functional and presentation currency

These 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 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.

2) Basis of preparation (continued)

c) Use of critical estimates and judgements (continued)

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

- **Risk-free interest rate:** The Corporation uses 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.
- **Expected life:** The Corporation uses historical lifespan information of similar stock-based compensation instruments granted by the Corporation to determine expected life.
- **Forfeiture rate:** 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.

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):

- **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.

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 years presented in these 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 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

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.

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 years. 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.

3) Significant accounting policies (continued)

c) Financial instruments (continued)

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 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.

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.

3) Significant accounting policies (continued)

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 year for which the entity has the right to explore in the specific area has expired during the year 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).

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) Property, plant and equipment

Property, plant and 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 straight-line basis as follows:

Office equipment	20%
Computer equipment	30%
Exploration equipment	20%
Automobiles	30%
Leasehold Improvements	Term of the lease

3) Significant accounting policies (continued)

e) Property, plant and equipment (continued)

The Corporation allocates the amount initially recognized in respect of an item of property, plant and 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").

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.

3) Significant accounting policies (continued)

g) Current and deferred income tax (continued)

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.

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 data for its common shares. Basic and diluted 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.

3) Significant accounting policies (continued)

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.

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.

3) Significant accounting policies (continued)

o) Stock based compensation (continued)

ii) RSU 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) DSU 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.

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.

3) Significant accounting policies (continued)

g) Leases (continued)

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 of certain information technology equipment and 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.

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 consolidated financial statements.

During the year, the Corporation entered into lease agreements which has been 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.

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

5) Asset acquisitions

Consideration paid	Osisko Carve Out	Chalice	Alexandria	Harricana	Garrison Claims	Bourlamaque Claims	Simkar Property	Total
Share consideration	$ 96,914	$ 9,278	$ 27,909	$ 2,003	$ 158	$ 109	$ 1,122	**$ 137,493**
Cash consideration	-	1,035	-	-	-	100	140	**1,275**
Transaction costs	1,171	145	448	36	-	10	1	**1,811**
Options	-	-	409	-	-	-	-	**409**
Warrants	-	-	68	-	-	-	265	**333**
	$ 98,085	**$ 10,458**	**$ 28,834**	**$ 2,039**	**$ 158**	**$ 219**	**$ 1,528**	**$ 141,321**

Net assets acquired	Osisko Carve Out	Chalice	Alexandria	Harricana	Garrison Claims	Bourlamaque Claims	Simkar Property	Total
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	158	219	1,528	**132,690**
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**	**$ 158**	**$ 219**	**$ 1,528**	**$ 141,321**

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

On July 5, 2019, the Corporation and Osisko completed the 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 Malartic Block Properties; (ii) the Garrison Block Properties; (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 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 do 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.

5) Asset acquisitions (continued)

b) Acquisition of Chalice

On July 25, 2019, O3 Mining completed the 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 return royalty (“NSR”) 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 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.

c) Acquisition of Alexandria

On August 1, 2019, O3 Mining completed the 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.

d) Acquisition of Harricana Mining

On August 23, 2019, O3 Mining completed the 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.

e) Acquisition of Garrison claims

On November 21, 2019, O3 Mining, completed the acquisition of an option to acquire 10 patented mineral claims in the Garrison township pursuant to an asset purchase agreement with Metals Creek Resources Corp. ("Metals Creek"). O3 Mining acquired the option from Metal Creek in exchange for 64,433 common shares of O3 Mining and a 0.5% NSR over the claims.

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

5) Asset acquisitions (continued)

e) Acquisition of Garrison claims (continued)

The acquisition has been accounted for as an acquisition of assets as the option does not meet the definition of a business under IFRS 3. The transaction was recorded at the fair value of the consideration transferred of $158,000 as detailed in the table above.

f) Acquisition of Simkar Property

On December 13, 2019, O3 Mining, completed the acquisition of the Simkar property from Monarch Gold Corporation ("Monarch"). The Simkar property is located 20 kilometres east of Val-d'Or and includes two mining concessions and 15 claims covering an area of 5 square kilometres. O3 Mining acquired the property from Monarch in exchange for $140,000 in cash, 435,000 common shares of O3 Mining, and 435,000 common share purchase warrants of O3 Mining, with each warrant entitling Monarch to purchase one additional common share of O3 Mining at a price of $4.20 per share for a three-year period.

The acquisition has been accounted for as an acquisition of assets as the Simkar 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 $1,528,000 as detailed in the table above.

g) Acquisition of Bourlamaque claims

On December 18, 2019, O3 Mining, completed the acquisition of four mining claims located in the township of Bourlamaque in the Province of Quebec, Canada from Kinross Gold Corporation ("Kinross Gold"). O3 Mining acquired the claims from Kinross Gold in exchange for $100,000 in cash, 42,017 common shares of O3 Mining and a 2.0% NSR on any minerals produced from the acquired claims.

The acquisition has been accounted for as an acquisition of assets as the claims do not meet the definition of a business under IFRS 3. The transaction was recorded at the fair value of the consideration transferred of $219,000 as detailed in the table above.

6) Reclamation deposit

Reclamation deposits are held as security for the estimated cost of reclamation of the Corporation's land and unproven mineral interests. Once reclamation of the properties is complete, the deposits will be returned to the Corporation.

The following table summarizes information regarding the Corporation's reclamation deposits as at December 31, 2019 and 2018:

As at		**December 31, 2019**		December 31, 2018
Garrison	**$**	**251**	$	-
Buffonta		**161**		-
Total Reclamation deposits	**$**	**412**	**$**	**-**

The Corporation has two reclamation deposits of $251,000 and $161,000 with the Ministry of Northern Development and Mines as a financial guarantee to cover the cost of mine reclamation related to the Corporation's Garrison and Buffonta Properties, respectively. Interest is earned on these deposits at a rate of 0.3%.

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

7) Tax recoverable

As at December 31, 2019 and 2018, tax recoverable consists of sales tax recoverable and refundable tax credits for mining exploration and evaluation expenditures. Sales tax recoverable consist of harmonized sales taxes ("HST"), goods and services tax ("GST"), Québec sales tax ("QST") and income tax receivable from Canadian taxation authorities. The refundable tax credits relate to eligible exploration and evaluation expenditures incurred in the Province of Québec.

8) Marketable securities

The Corporation holds shares and warrants in various public and private companies. During the year ended December 31, 2019, these shares and warrants were fair valued, and this resulted in an unrealized loss of $494,000 (2018 – $nil). The Corporation sold shares during the year ended December 31, 2019 which resulted in a realized loss of $510,000 (2018 – $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 December 31, 2019 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 December 31, 2019 and December 31, 2018:

As at	**December 31, 2019**
Balance, beginning of year	**$ -**
Additions	3,034
Acquisitions (note 5)	10,724
Disposals	(2,582)
Realized loss	(510)
Unrealized loss	(494)
Balance, end of year	**$ 10,172**

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

9) Expenses

The following table summarizes information regarding the Corporation's expenses from continuing operations for the years ended December 31, 2019 and 2018:

For the year ended	**December 31, 2019**	**December 31, 2018**
Compensation expenses		
Stock-based compensation (note 13(d) and note 14)	$ 1,902	$ 35
Salaries and benefits	541	60
Total compensation expenses	**$ 2,443**	**$ 95**
General and administration expenses		
Shareholder and regulatory expense	$ 228	$ 18
Travel expense	141	-
Professional fees	772	21
Office expense	344	31
Total general and administration expenses	**$ 1,485**	**$ 70**
Marketable securities		
Realized loss from marketable securities (note 8)	$ 510	$ -
Unrealized loss from marketable securities (note 8)	494	-
Total marketable securities loss	**$ 1,004**	**$ -**

10) Property, plant and equipment

The following table summarizes information regarding the Corporation's plant and equipment as at December 31, 2019 and 2018:

	December 31, 2019									
	Cost					**Accumulated depreciation**				
Class	**Opening balance**	**Additions/ transfers**	**Acquisitions (note 5)**	**Write-off / disposals**	**Closing balance**	**Opening balance**	**Depreciation**	**Write-off / disposals**	**Closing balance**	**Net book value**
Computer Equipment	$ -	$ 59	$ 28	-	**$ 87**	$ -	$ 11	$ -	**$ 11**	**$ 76**
Office Equipment	**-**	-	9	-	**9**	**-**	1	-	**1**	**8**
Office Buildings	**-**	221	-	(137)	**84**	**-**	28	(10)	**18**	**66**
Exploration Equipment	**-**	16	86	-	**102**	**-**	10	-	**10**	**92**
Automobiles	**-**	-	15	(2)	**13**	**-**	3	(2)	**1**	**12**
Total	**$ -**	**$ 296**	**$ 138**	**$ (139)**	**$ 295**	**$ -**	**$ 53**	**$ (12)**	**$ 41**	**$ 254**

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

11) Exploration and evaluation assets

	December 31, 2018	Acquisitions (note 5)	Additions	Disposals	December 31, 2019
Kan - James Bay	$ -	$ 200	$ 3	$ -	$ 203
Éléonore – James Bay	-	200	12	-	212
Éléonore JV – James Bay	-	200	-	-	200
Other – James Bay	-	150	174	-	324
FCI - Corvette Lithium	-	(57)	-	-	(57)
Éléonore Opinaca	-	1,000	13	-	1,013
Tortigny	-	1,000	3	(210)	793
Launay	-	1,000	-	-	1,000
Malartic Block	-	61,444	179	-	61,623
Garrison Block	-	22,878	750	-	23,628
Hemlo	-	250	5	-	255
Alpha	-	33,380	2,442	-	35,822
Harricana	-	1,631	18	-	1,649
East Cadillac Break	-	9,414	611	-	10,025
Total exploration and evaluation assets	**$ -**	**$ 132,690**	**$ 4,210**	**$ (210)**	**$ 136,690**

a) James Bay Properties

The Corporation acquired the James Bay Properties through the Reverse Take-Over (note 5). On October 5, 2016, Osisko completed the earn-in transaction with Osisko Gold Royalties Ltd ("Osisko GR"). O3 Mining replaced Osisko as a party to the agreement on completion of the Reverse Take-Over. Under the terms of the earn-in agreement, the Corporation may earn a 100% interest in 28 exploration properties held by Osisko GR, which are located in the James Bay area, Québec and the Labrador Trough area (the "Properties") upon incurring exploration expenditures totaling $32 million over the 7-year term of the earn-in agreement; the Corporation will earn a 50% interest upon completing expenditures totaling $19.2 million. Osisko GR will retain an escalating NSR ranging from 1.5% to a maximum of 3.5% on precious metals and a 2% NSR on other metals and minerals produced from the properties.

Additionally, any new properties acquired by the Corporation in the designated area during the 7-year term of the earn-in agreement may also be subject to a royalty agreement in favour of Osisko GR with similar terms and subject to certain conditions. On February 16, 2017, Osisko and Osisko GR amended and restated the initial earn-in agreement, pursuant to which the Kan Project was carved-out into a separate earn-in agreement (the "Kan Agreement").

Under the terms of the Kan Agreement, Osisko shall incur $6 million over the 7-year term of the earn-in agreement; the Corporation will earn a 50% interest upon completing expenditures of $3.6 million over four-year term. The entire commitment on the rest of the properties was reduced by the same amount and terms as the Kan Agreement.

On December 15, 2017, Osisko and Osisko GR entered into an amendment to the earn-in agreement to extend until December 31, 2018 the Corporation's firm commitment to spend $4.1 million of exploration expenditures on all the properties. As at December 31, 2019, all required amounts were spent as per the conditions of the agreement.

On August 27, 2018, Osisko and Osisko GR amended and restated the Osisko Royalties Earn-In Agreement further, pursuant to which the FCI Project was carved-out into a separate earn-in agreement (the "FCI Earn-In Agreement"). Under the terms of the FCI Earn-In Agreement, the Corporation shall incur $1 million over the two-year term of the FCI Earn-In Agreement; the Corporation will earn a 50% interest upon completing expenditures of $250,000 in the first year of the two-year term. The entire commitment on the rest of the properties was reduced by the same amount and terms as the FCI Agreement.

11) Exploration and evaluation assets (continued)

a) James Bay Properties (continued)

i) FCI – Corvette Lithium Project

On August 27, 2018, Osisko entered into a binding agreement with 92 Resources Corp (“92 Resources”), which sets forth the terms of an exploration earn-in on the property. O3 Mining replaced Osisko as a party to the exploration earn-in agreement on completion of the Reverse Take-Over. Under the exploration earn-in, 92 Resources must commit $2,250,000 in work expenditures over a three-year period to earn a 50% interest on the FCI-Corvette Lithium Project, subject to certain annual work expenditure thresholds, including a guaranteed expenditure threshold of $250,000 in the first year.

Following the completion of the exploration earn-in, the project will be transferred to a new joint venture entity to be owned 50% by O3 Mining and 50% by 92 Resources. O3 Mining and 92 Resources will then enter into a joint venture agreement in respect of the property. In addition, 92 Resources may earn a further 25% interest in the joint venture entity by electing to fund an additional $2,000,000 of project level expenditures.

ii) Ashuanipi Project

On August 27, 2019, O3 Mining entered into a binding agreement with Osisko Metals Incorporated (“Osisko Metals”) which sets forth the terms of an exploration earn-in on the property. O3 Mining replaced Osisko as a party to the exploration earn-in agreement on completion of the Reverse Take-Over. Under the exploration earn-in, Osisko Metals must commit $3,500,000 in work expenditures over a two-year period to earn a 50% interest on the Ashuanipi Project including a guaranteed firm commitment of $1,500,000 in the first year.

Following the completion of the exploration earn-In, the Ashuanipi Project will be transferred to a new joint venture entity to be owned 50% by O3 Mining and 50% by Osisko Metals. O3 Mining and Osisko Metals will then enter into a joint venture agreement in respect to the project. In addition, Osisko Metals may earn a further 25% interest in the joint venture entity by funding the next $5,000,000 of expenditures during the two years commencing on the joint venture date.

b) Élénore Opinaca Property

The Corporation acquired the Élénore Opinaca Property through the Reverse Take-Over (note 5). The Élénore Opinaca Property is 100% owned by the Corporation and is located approximately 320 kilometres north of the town of Matagami in the James Bay area, northern Québec and is subject to an NSR of 0.5%.

c) Tortigny Property

The Corporation acquired the Tortigny Property through the Reverse Take-Over (note 5). The Tortigny Property is 100% owned by the Corporation and is located north of the town of Chibougamau, Québec and is subject to an NSR of 1-2%. During the year ended December 31, 2019, three claims within the Tortigny Property was sold to Troilus Gold Corp in exchange for 300,000 common shares of Troilus Gold Corp.

d) Launay Property

The Corporation acquired the Launay Property through the Reverse Take-Over (note 5). The Launay Property is 100% owned by the Corporation and is located in the Abitibi Greenstone Belt, Québec and is subject to an NSR of 1.5%.

11) Exploration and evaluation assets (continued)

e) Malartic Block Properties

The Corporation acquired the Malartic Block Properties through the Reverse Take-Over (note 5)

i) Marban Project

The Marban Project is 100% owned by the Corporation and is located west of the town of Val-d'Or in the Abitibi region of Québec, Canada. The Marban claims are subject to an NSR of 1% to 1.5%. The First Canadian claims are subject to a 10% net profits interest. The vendor retained a 0.5% NSR on the Marban claims, a 1% NSR on the First Canadian claims and a 2% NSR on the Norlartic claims. The property also has two mining claims known as the Gold Hawk claims which are subject to a 2% NSR.

The other projects grouped with the Marban Project include the Camflo West, the Malartic Hygrade, the Malartic Hygrade-NSM and the Malartic H properties. The Corporation owns a 100% interest in the claims of the Camflo West, the Malartic Hygrade, the Malartic Hygrade-NSM properties. The Malartic H claims are 85% owned and the remaining 15% can be purchased by paying $25,000. The Camflo West claims are subject to various NSRs ranging from 1.5% to 3.0%, certain of which, or portions thereof, can be repurchased for payments ranging from $200,000 to $1,500,000.

ii) Siscoe East Project

The Corporation owns a 50% interest in the claims covering the Siscoe East property, the remaining 50% interest being held by another company. Some claims are subject to 2.0% NSR. Half of the NSRs may be repurchased for a total of $2,750,000.

iii) Héva Project

Some of the claims of the Héva property are subject to a 1.5% NSR of which half may be repurchased for $200,000.

f) Garrison Block Properties

The Corporation acquired the Garrison Block Properties through the Reverse Take-Over (note 5). On November 21, 2019, the Corporation completed the purchase of an option to acquire 10 patented mineral claims in the Garrison township pursuant to an asset purchase agreement with Metals Creek (note 5).

i) Garrcon Project

The Garrcon Project is 100% owned by the Corporation and is located in the Abitibi Greenstone Belt in Québec, Canada. The Garrcon Project is subject to NSRs ranging from 1% to 2%. On certain mining claims, the vendor retains a back-in-right for up to 51% interest in these claims should a resource totaling 4 million ounces be identified on the claims. Such a back-in-right would trigger a cash reimbursement to the Corporation equal to double the exploration costs incurred since the date of the arrangement.

ii) Jonpol Project

The Jonpol Project is 100% owned by the Corporation and is located on the same property as the Garcon Project in the Abitibi Greenstone Belt in Ontario, Canada.

11) Exploration and evaluation assets (continued)

f) Garrison Block Properties (continued)

iii) Buffonta Project

The Buffonta Project is 87.5-100% owned by the Corporation and is located on the same property as the Garcon Project in the Abitibi Greenstone Belt in Ontario, Canada. The Buffonta Project is subject to a 3% NSR of which 0.5% can be purchased for $1,000,000.

iv) Gold Pike Project

The Gold Pike Project is 40-60% owned by the Corporation and is located on the same property as the Garcon Project in the Abitibi Greenstone Belt in Ontario, Canada. The Gold Pike Project has claims under two separate agreements in which each are subject to a 2% NSR of which 1% can be purchased for $1,000,000. The property has an annual $25,000 advance royalty payment.

g) Hemlo Property

The Corporation acquired the Hemlo Property through the Reverse Take-Over (note 5). The Hemlo Property is 100% owned by the Corporation and is located in the Neoarchean Hemlo Greenstone Belt, Ontario and is subject to an NSR of 0.5-2%.

h) Alpha Group

The Corporation acquired the Alpha Group which includes the Orenada Property, the Akasaba Property, the Sleepy Property, and Epsilon Property through the acquisition of Alexandria (note 5).

The properties are located in the Val D'Or municipality of the Abitibi-Temiscamingue administrative region in the Province of Quebec. The Corporation holds a 100% interest in all these properties, subject to NSRs of between 1% to 2.5%. A portion of these NSRs can be purchased for between $200,000 and $1,000,000.

On November 28, 2016, Alexandria entered into a binding agreement with Probe Metals Inc. ("Probe Metals") which sets forth the terms of an exploration earn-in on the Sleepy Property. In order to earn a 60% interest on the Sleepy Property, Probe Metal must commit: (i) $5,000,000 in work expenditures over a period of 4 years and (ii) $300,000 common shares due upon signing.

Following the completion of the exploration earn-in, O3 Mining and Probe Metals will enter into a joint venture agreement in respect of the property with Probe Metals maintaining a 60% interest and O3 Mining maintaining a 40% interest. Probe Metals can earn an additional 10% interest on the Sleepy Property by completing a prefeasibility study, incurring $2,000,000 in exploration expenditures, and issuing 200,000 common shares of Probe Metals.

On April 20, 2017, Alexandria entered into an option agreement with Golden Valley Mines Ltd. ("Golden Valley"), enabling Alexandria to earn 80% in the Epsilon Property. O3 Mining may earn 80% in the property by issuing treasury shares of O3 Mining to Golden Valley over a four-year period from the date of signing with a total value of $250,000, and by conducting exploration activities totalling $4 million over the same four-year period. Upon the 80% earn-in, the two companies will form a joint venture to further explore, and if warranted, develop the property. Once the 80% interest is vested for O3 Mining, Golden Valley will have a 20% free-carried interest. In addition, Golden Valley retains a 1.5% NSR, of which 0.5%, or a third, may be purchased by O3 Mining for $1,000,000.

11) Exploration and evaluation assets (continued)

h) Alpha Group (continued)

On December 13, 2019, O3 Mining completed the purchase of the Simkar property from Monarch. The Simkar property is located 20 kilometres east of Val-d'Or and includes two mining concessions and 15 claims covering an area of 5 square kilometres (note 5).

On December 18, 2019, O3 Mining completed the purchase of four mining claims located in the township of Bourlamaque in the Province of Quebec, Canada from Kinross Gold (note 5).

i) Harricana

The Corporation acquired the Harricana Property through the acquisition of Harricana Mining (note 5). The Harricana property is 100% owned by the Corporation and it is located 9 kilometers northeast of the town of Val-d'Or, on the eastern shore of the Blouin Lake.

j) East Cadillac Property

The Corporation acquired the East Cadillac Property through the acquisition of Chalice (note 5). The East Cadillac property is located more than 35 kilometers east of the town of Val-d'Or and compromised three earn-in agreements in addition to the ground wholly owned by O3 Mining.

On November 1, 2016, Chalice entered into an option agreement with Globex Mining Enterprises Inc. ("Globex') on the Nordeau Project. O3 Mining may acquire a 100% interest, except certain claims where Globex has a 60% interest, by making annual option payments totalling $590,000 over four years and funding exploration expenditures of $2.5 million also over a four-year period. Upon exercising the option, O3 Mining will grant a 3% gross metal royalty to Globex. O3 Mining has the right to withdraw without earning an interest in the Nordeau Project at any time.

In 2017, Chalice entered into an option agreement with Pershimex Resources Inc. on the Forsan Gold project. O3 Mining may earn a 70% interest in the project by making total option payments of $375,000 and funding exploration expenditures of $1.75 million over a period of five years. Subsequent to the year ended December 31, 2019, the Corporation withdrew from the option agreement without earning any interest in the project.

On May 21, 2018, Chalice entered into a binding agreement with Renforth Resources Inc. on the Denain-Pershing Project. O3 Mining may earn an 80% interest in the project by making total option payments of $200,000 and funding exploration expenditures of $1.25 million over a period of three years. The claims are subject to a 3% NSR with a 1% buy-back right for $1,000,000.

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 $617,000.

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

12) Asset retirement obligation (continued)

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

As at		**December 31, 2019**
Balance, beginning of year	**$**	**-**
Acquisitions (note 5)		246
Accretion		4
Change in estimate		320
Balance, end of year	**$**	**570**

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

For the year ended December 31,		**2019**
Total undiscounted value of payments	$	617
Weighted average discount rate		1.68%
Weighted average expected life		5 years
Inflation rate		2.00%

13) 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 acqusition of assets from Osisko (note 5)	24,977,898		96,914
Issuance of shares on acqusition of Chalice (note 5)	3,092,784		9,278
Issuance of shares on acqusition of Alexandria (note 5)	9,557,956		27,909
Issuance of shares on acqusition of Harricana Mining (note 5)	773,193		2,003
Issuance of shares on acqusition of option to acquire Garrison claims (note 5)	64,433		158
Issuance of shares on acqusition of Simkar Property (note 5)	435,000		1,122
Issuance of shares on acqusition of Bourlamaque claims (note 5)	42,017		109
Private placement (net of transaction costs ($1,489,000)) (note 13 (a))	4,772,042		11,609
Private placement (net of transaction costs ($733,000)) (note 13 (a))	2,400,000		5,867
Issuance of shares on settlement of debt	211,643		529
Balance December 31, 2019	**46,927,215**	**$**	**158,325**

(1) *All years 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.

13) 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 $699,000 was recognized for the year ended December 31, 2019 relating to this transaction. The transaction costs amounted to $733,000 and have been netted against the gross proceeds on closing.

On October 31, 2019, the Corporation completed a shares for debt transaction. To settle a portion of the accounts payable assumed on the acquisition of Alexandria, the Corporation issued an aggregate of 211,643 common shares of the Corporation at $2.50 for total share consideration of $529,000.

On November 14, 2019, the Corporation acquired an option to acquire ten patented mineral claims in the Garrison township. In consideration for the acquisition of this option, the Corporation issued an aggregate of 64,433 common shares of the Corporation at $2.45 for total share consideration of $158,000 (note 5).

On December 12, 2019, the Corporation acquired the Simkar property. In consideration for the acquisition of the Simkar property, the Corporation issued an aggregate of 435,000 common shares of the Corporation at $2.58 for total share consideration of $1,122,000 (note 5).

On December 18, 2019, the Corporation acquired four mining claims located in the township of Bourlamaque. In consideration for the acquisition of the four mining claims, the Corporation issued an aggregate of 42,017 common shares of the Corporation at $2.60 for total share consideration of $109,000 (note 5).

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

13) Capital and other components of equity (continued)

b) Basic loss per share

For the year ended	December 31, 2019	December 31, 2018
Common shares outstanding, at beginning of the year[1]	600,249	465,249
Common shares issued during the year[1]	21,017,419	63,616
Basic weighted average number of common shares[1]	**21,617,668**	**528,865**
Loss	**$ 4,140**	**$ 165**
Basic loss per share	**$ 0.19**	**$ 0.31**

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

c) Diluted loss per share

The Corporation incurred losses for the year ended December 31, 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 up to 5 years from the date of grant.

The following table summarizes the stock option transactions for the years ended December 31, 2019 and 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	2,852,009	3.02
Cancelled	(44,500)	2.29
Expired	(4,510)	5.54
Outstanding at December 31, 2019	**2,847,499**	**$ 3.01**

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

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

13) Capital and other components of equity (continued)

d) Contributed surplus (continued)

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. One third of these options vest immediately with the remaining thirds each vesting on the first and second anniversaries from the date of grant.

On November 8, 2019, 225,000 stock options were issued to management and employees, at an exercise price of $2.44 for a period of 5 years. The options have been fair valued at $1.60 per option using the Black-Scholes option-pricing model. These options will vest in thirds on the first, second and third anniversaries from the date of grant.

The total recognized expense for stock options for the year ended December 31, 2019 was $2,252,000 (2018 - $35,000) from which $480,000 were capitalized to the Canadian projects (2018 - $nil).

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

For the year ended	**December 31, 2019**	**December 31, 2018**
Fair value at grant date	$ 1.55	$ 14.74
Forfeiture rate	3.4%	0.0%
Share price at grant date	$ 3.00	$ 2.20
Exercise price	$ 3.02	$ 2.20
Expected volatility	80%	84%
Dividend yield	0.0%	0.0%
Option life (weighted average life)	3 years	5 years
Risk-free interest rate (based on government bonds)	1.35%	2.14%

The following table summarizes information regarding the Corporation's outstanding and exercisable stock options as at December 31, 2019:

	Options outstanding			Options exercisable		
Range of exercise prices per share ($)	**Weighted-average remaining years of contractual Life**	**Number of stock options outstanding**	**Weighted average exercise price ($)**	**Weighted-average remaining years of contractual life**	**Number of stock options exercisable**	**Weighted average exercise price ($)**
2.44 to 2.92	3.8	461,701	$2.61	2.8	236,701	$2.77
2.93 to 3.20	4.6	2,255,000	$3.07	4.6	751,676	$3.07
3.21 to 3.47	2.0	109,149	$3.33	2.0	109,149	$3.33
3.48 to 4.57	2.2	18,041	$3.60	2.2	18,041	$3.60
4.58 to 5.54	0.6	3,608	$5.54	0.6	3,608	$5.54
2.44 to 5.54	**4.4**	**2,847,499**	**$3.01**	**3.9**	**1,119,175**	**$3.05**

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

13) Capital and other components of equity (continued)

e) Warrants

The following table summarizes the transactions pertaining to the Corporation's outstanding standard warrants for the years ended December 31, 2019 and 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	**-**	**$**	**-**
Issuance of warrants on private placement (note 10(a))	5,010,644		4.43
Issuance of warrants on acquisition of Alexandria (note 5(c))	477,174		4.15
Issuance of warrants on acquisition of Simkar Property (note 5(f))	435,000		4.20
Expired	(477,174)		4.15
Outstanding at December 31, 2019	**5,445,644**	**$**	**4.41**

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

For the year ended		**December 31, 2019**
Fair value at grant date	$	1.01
Forfeiture rate		0.0%
Share price at grant date	$	3.40
Exercise price	$	4.39
Expected volatility		83%
Dividend yield		0.0%
Warrant life (weighted average life)		1.4 years
Risk-free interest rate (based on government bonds)		1.61%

14) Restricted share unit plans

On August 13, 2019, O3 Mining established a RSU plan. Under this plan, 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 year ended December 31, 2019:

	Number of RSUs
Oustanding at December 31, 2018	**-**
Granted	390,000
Oustanding at December 31, 2019	**390,000**

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

14) Restricted share unit plans (continued)

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 December 31, 2019, the share-based payment liability related to each RSU was re-measured to fair value at the Corporation's closing share price of $2.85.

The total recognized expense for RSUs of the Corporation for the year ended December 31, 2019 was $143,000 (2018 - $nil) from which $12,000 were capitalized to the Canadian projects (2018 - $nil).

15) 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 year ended December 31, 2019, management fees, geological services, rent and administration fees of $1,036,000 (2018 - $nil) 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, serves as President and Chief Executive Officer of Osisko and Jose Vizquerra, President and CEO of O3 Mining, serves as a Director of Osisko. Accounts payable and accrued liabilities to Osisko as at December 31, 2019 were $109,000 (2018 - $nil).

The following table summarizes remuneration attributable to key management personnel for the years ended December 31, 2019 and 2018:

For the year ended	**December 31, 2019**	**December 31, 2018**
Directors' fees	$ 193	$ -
Stock-based compensation	979	35
Total	**$ 1,172**	**$ 35**

16) Capital risk factors

The Corporation manages its capital structure and makes adjustment to it, based on the funds available to the Corporation, in order to support the acquisition, exploration and development of mineral properties. The Corporation defines capital as its cash, cash equivalents and marketable securities. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future operations and realize on its mineral resource estimates.

The properties in which the Corporation currently has an interest are in the exploration stage as such the Corporation is dependent on external financing to fund its activities. In order to carry out planned exploration and pay for administrative costs, the Corporation will spend its working capital and raise additional amounts as needed.

The Corporation will continue to assess new properties and seek to acquire an interest in additional properties if it is deemed there is sufficient geological or economic potential and if adequate financial resources are available. Management reviews its capital management approach on an ongoing basis and believes this approach, given the size of the Corporation, is reasonable. Neither the Corporation nor its subsidiaries are subject to externally imposed capital requirements.

As at December 31, 2019, the Corporation has cash, cash equivalents and marketable securities totaling $26,874,000 (December 31, 2018 - $93,000) which were available for growing the Corporation.

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

17) Financial instruments

Fair market value represents the amount that would be exchanged in an arm's length transaction between willing parties that is best evidenced by a quoted market price, if one exists.

The Corporation values instruments carried at fair value using quoted market prices, where applicable. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Corporation maximizes the use of observable inputs within valuation models. When all significant inputs are observable the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

As at December 31, 2019 and 2018 the Corporation classified cash and cash equivalents and publicly traded securities included in marketable securities as Level 1, and warrants included in marketable securities, other receivables and reclamation deposit as Level 2.

	December 31, 2019			December 31, 2018		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 16,702	$ -	$ -	$ 93	$ -	$ -
Marketable securities	9,890	282	-	-	-	-
Other receivables	-	734	-	-	3	-
Reclamation deposit	-	412	-	-	-	-

As at December 31, 2019 and 2018, there were no non-recurring financial assets or liabilities that were valued at fair value.

There were no transfers between levels 1 and 2 and there were no changes in valuation techniques during 2019.

Financial risk factors

The Corporation's financial instruments are exposed to certain financial risks, including currency risk, interest rate risk, commodity price risk, credit risk and liquidity risk. The Corporation's exposure to these risks and its methods of managing the risks remain consistent. There have been no changes in the risks, objectives, policies and procedures from the previous year.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet contractual obligations and arises principally from the Corporation's other receivables. The carrying value of the financial assets represents the maximum credit exposure.

The Corporation's credit risk is primarily attributable to receivables included in other receivables. The Corporation has no significant concentration of credit risk. Financial instruments included in other receivables consist of receivables from other companies. Management believes that the credit risk receivables concentration with respect to financial instruments included in other receivables is remote.

b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation has a planning and budgeting process in place to help determine the funds required to support the Corporation's normal operating requirements on an ongoing basis and its expansionary plans.

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

17) Financial instruments (continued)

Financial risk factors (continued)

b) Liquidity risk (continued)

The Corporation ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As at December 31, 2019, the Corporation had a cash balance of $16,702,000 (2018 - $93,000) to settle current liabilities of $3,016,000 (2018 - $45,000). The majority of the Corporation's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Corporation has financial commitments outstanding as at December 31, 2019 (note 19).

c) Commodity price risk

Commodity price risk arises from the possible adverse effect on current and future earnings due to fluctuations in commodity prices. The ability of the Corporation to develop its properties and the future profitability of the Corporation is directly related to these prices. The Corporation does not enter into any derivative financial instruments to manage exposures to price fluctuations.

d) Market risk

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation monitors its exposure to interest rate and has not entered into any derivative financial instruments to manage this risk. The Corporation has a cash balance and no interest-bearing debt. The Corporation holds cash and cash equivalents in deposit form in a major Chartered Canadian bank.

If market interest rates for the year ended December 31, 2019, had increased or decreased by 0.1%, with all variables held constant, the loss for the year ended December 31, 2019, would have been approximately $17,000 lower/higher, as a result of higher/lower interest income from cash and cash equivalents. Similarly, as at December 31, 2018, shareholders' equity would have been approximately $1,000 lower/higher because of higher/lower interest income from cash and cash equivalents due to a 0.1% increase/decrease in interest rates.

18) Income taxes

The reconciliation of the effective tax expense to the tax recovery computed using the Canadian statutory rate of 26.5% is as follows:

For the year ended	**December 31, 2019**	**December 31, 2018**
Loss from continuing operations before income taxes	**$ (3,802)**	**$ (165)**
Income tax recovery computed at Canadian statutory tax rate	(1,008)	(44)
Permanent items	287	-
Change in unrecognized deferred tax assets	500	44
Deferred mining taxes	559	-
Total deferred income and mining tax expense	**$ 338**	**$ -**

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

18) Income taxes (continued)

The following table outlines the composition of the deferred income tax expense between income and mining tax:

For the year ended		December 31, 2019		December 31, 2018
Deferred income tax recovery	$	(221)	$	-
Deferred mining tax expense		559		-
Total deferred income tax expense	**$**	**338**	**$**	**-**

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset. Deferred tax assets are recognized when the Company 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 assets and liabilities:

As at		December 31, 2019		December 31, 2018
Deferred tax liability				
Deferred income tax liability on net taxable temporary differences	$	(506)	$	-
Deferred mining tax liability on net taxable temporary differences		(1,009)		-
Total deferred tax liability	**$**	**(1,515)**	**$**	**-**
Net deferred tax liability	**$**	**(1,515)**	**$**	**-**

Deferred tax assets have not been recognized in respect of the following gross net deductible temporary differences:

For the year ended		December 31, 2019		December 31, 2018
Non-capital losses and exploration expenditures	$	42,603	$	-
Share issue costs		2,341		-
Investment tax credits		1,934		-
Deferred mining taxes		999		-
Unrecognized gross net deductible temporary differences	**$**	**47,877**	**$**	**-**

A deferred tax asset was not recognized with respect to non-capital losses of $49,992,000, which if not utilized will expire between the years of 2024 to 2039. The corporation has also not recognized net deductible temporary differences with respect to investment tax credits of $1,934,000, which, if not utilized, will expire between the years of 2029 and 2034.

19) Commitments

As of December 31, 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	$	8,056
Total		**$**	**8,056**

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

20) Subsequent events

On February 7, 2020, Osisko disposed of 6,200,000 of the 24,977,898 common shares of O3 Mining held by Osisko as at December 31, 2019. Immediately following the disposition, Osisko retained control and owned 40% of the issued and outstanding common shares of O3 Mining.

On February 14, 2020, 1,370,000 stock options were issued to management, at an exercise price of $2.50 for a period of 5 years. The options have been fair valued at $1.34 per option on average using the Black-Scholes option pricing model.

On February 14, 2020, 150,000 RSUs were issued to management. Each RSU has been fair valued at $2.50 at the Corporation’s closing share price before the date of grant. The RSUs vest on the third anniversary date from the date of grant.