



Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
Presented in Canadian dollars



March 9, 2021

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"

President and Chief Executive Officer

(Signed) "Blair Zaritsky"

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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of (income)/loss and comprehensive (income)/loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

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.

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.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215



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.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 9, 2021

O3 Mining

Table of Contents

STATEMENTS OF FINANCIAL POSITION	6
STATEMENTS OF (INCOME)/LOSS AND COMPREHENSIVE (INCOME)/LOSS	7
STATEMENTS OF CHANGES IN EQUITY	8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	
1) Reporting entity	10
2) Basis of preparation	10
3) Significant accounting policies	13
4) Changes in IFRS accounting policies and future accounting pronouncements	20
5) Asset acquisitions	21
6) Taxes recoverable	24
7) Marketable securities	24
8) Assets and liabilities of disposal group classified as held for sale	25
9) Reclamation deposit	25
10) Property, plant and equipment	26
11) Exploration and evaluation assets	27
12) Leases	32
13) Restricted share unit plans and deferred share unit plans	32
14) Asset retirement obligation	33
15) Income taxes	34
16) Capital and other components of equity	35
17) Expenses	40
18) Related party transactions	40
19) Capital risk factors	41
20) Financial instruments	42
21) Commitments	43
22) Subsequent events	44

O3 Mining

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

<i>As at</i>	December 31, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 34,269	\$ 16,702
Other receivables	812	734
Advances and prepaid expenses	432	213
Taxes recoverable (note 6)	1,238	2,867
Marketable securities (note 7)	19,036	10,172
Assets of disposal group held for sale (note 8)	24,850	-
Total current assets	80,637	30,688
Non-current assets		
Reclamation deposit (note 9)	-	412
Property, plant and equipment (note 10)	2,376	254
Exploration and evaluation assets (note 11)	127,390	136,690
Long-term receivables (note 11(c))	650	-
Total non-current assets	130,416	137,356
Total assets	\$ 211,053	\$ 168,044
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,251	\$ 3,207
Current lease liabilities (note 12)	181	104
Liabilities of disposal group held for sale (note 8)	1,289	-
Total current liabilities	4,721	3,311
Non-current liabilities		
Flow-through premium liability (note 16(a))	6,128	2,781
Share-based payment liability (note 13)	801	143
Asset retirement obligation (note 14)	-	570
Non-current lease liabilities (note 12)	893	77
Deferred tax liability (note 15)	3,775	1,515
Total non-current liabilities	11,597	5,086
Total liabilities	16,318	8,397
Equity		
Share capital (note 16(a))	184,150	158,325
Contributed surplus (note 16(d))	6,816	4,483
Warrants (note 16(e))	9,628	5,911
Accumulated deficit	(5,859)	(9,072)
Total equity attributed to equity holders of the Corporation	194,735	159,647
Total liabilities and equity	\$ 211,053	\$ 168,044

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

Commitments (note 21) Subsequent events (note 22)

On behalf of the Board:

(Signed) "Keith McKay"

Keith McKay, Director

(Signed) "John Burzynski"

John Burzynski, Chairman

O3 Mining

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

<i>For the year ended</i>	December 31, 2020	December 31, 2019
Expenses/(income)		
Compensation expenses (note 17)	\$ 5,018	\$ 2,443
General and administration expenses (note 17)	2,659	1,485
General exploration expenses	24	34
Loss on impairment of exploration and evaluation assets (note 11)	831	-
Flow-through premium income (note 16(a))	(5,209)	(822)
(Gain)/loss from marketable securities (note 7)	(7,534)	1,004
Loss on disposition of property, plant and equipment	-	7
Gain on disposition of exploration and evaluation assets (note 11)	(1,715)	-
Other income	(16)	(90)
Operating (income)/loss	(5,942)	4,061
Finance income	(283)	(284)
Finance costs	61	25
Net finance income	(222)	(259)
(Income)/loss before tax	(6,164)	3,802
Deferred income tax expense (note 15)	2,951	338
(Income)/loss and comprehensive (income)/loss	\$ (3,213)	\$ 4,140
Basic (earnings)/loss per share (note 16(b))	\$ (0.06)	\$ 0.19
Weighted average number of shares (note 16(b)) ¹	54,119,179	21,617,668
Diluted (earnings)/loss per share (note 16(c))	\$ (0.06)	\$ 0.19
Diluted weighted average number of shares (note 16(c)) ¹	54,143,135	21,617,668

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

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

O3 Mining

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, 2020	46,927,215	\$ 158,325	\$ 5,911	\$ 4,483	\$ (9,072)	\$ 159,647
Income for the year	-	-	-	-	3,213	3,213
Stock-based compensation	-	-	-	2,364	-	2,364
Issuance of shares upon exercise of warrants (note 16(e))	100	1	(1)	-	-	-
Issuance of shares upon exercise of options (note 16(d))	34,458	127	-	(31)	-	96
Issuance of shares on acquisition of Regcourt Property (note 5)	113,637	128	-	-	-	128
Issuance of shares on acquisition of Louvem Property (note 5)	4,546	5	-	-	-	5
Private placement (net of transaction costs (\$2,373,000)) (note 16(a))	13,251,010	25,564	3,718	-	-	29,282
Balance December 31, 2020	60,330,966	\$ 184,150	\$ 9,628	\$ 6,816	\$ (5,859)	\$ 194,735

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 16(a) and (e))	-	-	5,646	-	-	5,646
Issuance of shares on acquisition of assets from Osisko (note 5)	24,977,898	96,914	-	-	-	96,914
Private placement (net of transaction costs (\$1,489,000)) (note 16(a))	4,772,042	11,609	-	-	-	11,609
Issuance of shares on acquisition of Chalice (note 5)	3,092,784	9,278	-	-	-	9,278
Issuance of shares on acquisition of Alexandria (note 5)	9,557,956	27,909	-	-	-	27,909
Issuance of options on acquisition of Alexandria (note 5)	-	-	-	409	-	409
Issuance of warrants on acquisition of Alexandria (note 5)	-	-	68	-	-	68
Issuance of shares on acquisition of Harricana Mining (note 5)	773,193	2,003	-	-	-	2,003
Private placement (net of transaction costs (\$733,000)) (note 16(a))	2,400,000	5,867	-	-	-	5,867
Issuance of shares on settlement of debt	211,643	529	-	-	-	529
Issuance of shares on acquisition of Garrison claims (note 5)	64,433	158	-	-	-	158
Issuance of shares on acquisition 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 acquisition of Bourlamaque claims (note 5)	42,017	109	-	-	-	109
Expiry of warrants (note 16(e))	-	-	(68)	68	-	-
Balance December 31, 2019	46,927,215	\$ 158,325	\$ 5,911	\$ 4,483	\$ (9,072)	\$ 159,647

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

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

O3 Mining

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

<i>For the year ended</i>	December 31, 2020	December 31, 2019
Cash flows provided by/(used in) operating activities		
Income/(loss) for the year	\$ 3,213	\$ (4,140)
Adjustments for:		
Marketable securities (gain)/loss (note 7)	(7,534)	1,004
Depreciation (note 10)	11	11
Loss on disposition of property, plant and equipment (note 10)	-	7
Gain on disposition of exploration and evaluation assets (note 11)	(1,715)	-
Loss on impairment of exploration and evaluation assets (note 11)	831	-
Accretion on asset retirement obligation (note 14)	2	4
Flow-through premium income (note 16(a))	(5,209)	(822)
Stock-based compensation (note 16(d))	2,930	1,902
Deferred income tax expense (note 15)	2,951	338
Interest expense on lease liabilities (note 12)	35	-
Interest income	(283)	(284)
	(4,768)	(1,980)
Change in items of working capital:		
Change in other receivables	72	(245)
Change in advances and prepaid expenses	(219)	(170)
Change in accounts payable and accrued liabilities	(1,060)	(2,394)
Change in taxes recoverable	2,003	(389)
Net cash used in operating activities	(3,972)	(5,178)
Cash flows provided by/(used in) investing activities		
Interest received	283	284
Cash received from/(addition to) reclamation deposit (note 9)	250	(8)
Acquisition of marketable securities (note 7)	(5,276)	(2,824)
Proceeds on disposition of marketable securities (note 7)	6,092	2,582
Acquisition of property, plant and equipment (note 10)	(1,351)	(75)
Addition to exploration and evaluation assets (note 11)	(15,944)	(2,705)
Proceeds on disposition of exploration and evaluation assets (note 11)	(57)	-
Net cash and cash equivalents paid on asset acquisitions (note 5)	(223)	(2,029)
Net cash used in investing activities	(16,226)	(4,775)
Cash flows (used in)/provided by financing activities		
Repayment of lease liabilities (note 12)	(169)	(40)
Cash received from exercise of stock options (note 16(d))	96	-
Net cash received from private placements (note 16(a))	37,838	26,602
Net cash provided by financing activities	37,765	26,562
Increase in cash and cash equivalents	17,567	16,609
Cash and cash equivalents, beginning of year	16,702	93
Cash and cash equivalents, end of year	\$ 34,269	\$ 16,702

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

1) Reporting entity

O3 Mining Inc. ("**O3 Mining**" or the "**Corporation**"), is a Canadian corporation domiciled in Canada. The Corporation was incorporated in British Columbia and continued to Ontario on June 28, 2019 under the Ontario Business Corporations Act. The address of the Corporation's registered office is 155 University Ave, Suite 1440, Toronto, Ontario, Canada. The consolidated financial statements of the Corporation at December 31, 2020 include the Corporation and its subsidiaries, Northern Gold Mining Inc. ("Northern Gold"), Niogold Mining Corporation, O3 Markets Inc., Chalice Gold Mines (Québec) Inc. ("Chalice"), Alexandria Minerals Corporation ("Alexandria"), 9401-3513 Québec Inc. and Murgor Resources Inc. The Corporation is primarily in the business of acquiring, exploring, and developing precious mineral deposits in Canada.

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

2) Basis of preparation

a) Statement of compliance

These 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 9, 2021.

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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

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:

Novel coronavirus ("COVID-19"):

The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The Corporation suspended its operations in Québec due to COVID-19 on March 23, 2020 and resumed operations on May 13, 2020. The duration and impact of the COVID-19 pandemic is unclear at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results and operations of the Corporation in future periods. It is management's assumption that the Corporation will continue to operate as a going concern.

On December 16, 2020, the Department of Finance published draft legislation that proposes to extend the flow-through funds spend period and the look-back rule by one year, including suspending the Part XII.6 tax for the same period. Based on the draft legislation, as of December 31, 2020, the Corporation would be required to spend \$14,326,000 of flow-through funds by December 31, 2022. If the extension is not enacted by the Department of Finance, the date for the flow-through spend requirements will remain at December 31, 2021.

Non-current assets held for sale:

The corporation follows the guidance of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* to assess the accounting of assets that are held for sale. Certain criteria, which requires judgement, needs to be met for a non-current asset to be classified as held for sale. Specific measurement and disclosure are required by the IFRS for non-current assets held for sale.

During the year ended December 31, 2020, the Corporation decided to dispose of its Garrison Project through the sale of its wholly owned subsidiary Northern Gold. Northern Gold owns 100% of the Golden Bear assets, including the Garrison gold project ("Garrison Project"), in the Kirkland Lake district of the Timmins gold mining camp in Ontario, Canada. Management identified Moneta Porcupine Mines Inc. ("Moneta") as a buyer and on February 24, 2021, O3 Mining completed the sale of Northern Gold in exchange for common shares of Moneta. The Corporation concluded that as at December 31, 2020, the assets and the associated liabilities of the Garrison Project will be disposed of and management determined it to be a disposal group accounted for as held for sale.

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.

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

2) *Basis of preparation (continued)*

c) Use of critical estimates and judgements (continued)

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.
- **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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

3) Significant accounting policies

The accounting policies set out below are in accordance with IFRS and have been applied consistently to the consolidated financial statements for the years ended December 31, 2020 and 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.

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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

3) Significant accounting policies (continued)

c) Financial instruments (continued)

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.

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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

3) Significant accounting policies (continued)

d) Exploration and evaluation assets (continued)

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 property, plant and equipment are depreciated as follows:

Computer equipment	30% on a declining balance
Office equipment	20% on a declining balance
Exploration equipment	20% on a declining balance
Automobiles	30% on a declining balance
Right-of-use assets and leasehold improvements	Straight line over the term of the lease

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.

Depreciation of an asset begins when it is available for use. The asset is available for use when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

3) Significant accounting policies (continued)

f) Leases and right-of-use assets

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.

Leases are recognized as a right-of-use asset, which is presented as PPE in the consolidated statements of financial position, 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. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If ownership of the leased asset transfers to the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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.

In calculating the present value of lease payments, the Corporation uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

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.

g) Impairment of non-financial assets

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

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

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

3) Significant accounting policies (continued)

g) Impairment of non-financial assets (continued)

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

h) Assets held for sale

The Corporation classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The non-current assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell, except for deferred tax assets.

An impairment loss is recognised for any initial or subsequent write-down of the asset or disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset or disposal group, but not more than any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset or disposal group is recognised at the date of derecognition.

Non-current assets, including those that are part of a disposal group, are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

The Corporation presents non-current assets classified as held for sale and the assets of a disposal group classified as held for sale separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

i) 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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

3) Significant accounting policies (continued)

i) Current and deferred income tax (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

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

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

j) 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.

k) 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.

l) Basic and diluted earnings and loss per share

The Corporation presents basic and diluted earnings and loss per share data for its common shares.

Basic earnings and loss per share are calculated by dividing the earnings or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the year.

Diluted earnings and loss per share are calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares with respect to options, warrants, restricted shares, and deferred shares are computed using the treasury stock method.

m) 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. The Department of Finance proposed to extend the flow-through funds spend period and the look-back rule by one year (note 21).

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

3) Significant accounting policies (continued)

n) Stock based compensation

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

i) Share option plan

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

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

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

ii) 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.

o) 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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

3) Significant accounting policies (continued)

p) 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.

q) 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.

r) 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.

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 ending after December 31, 2020. 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

IFRS 3, Business Combinations ("IFRS 3")

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

The Corporation applied the revised definition of a business to determine accounting for all asset acquisitions during the year ended December 31, 2020 (note 5).

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

4) Changes in IFRS accounting policies and future accounting pronouncements (continued)

b) Future accounting pronouncements

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

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

5) Asset acquisitions

The following tables summarize the asset acquisitions during the years ended December 31, 2020 and 2019:

December 31, 2020				
Consideration paid	Regcourt Property	Louvem Property	Northern Star Claims	Total
Share consideration	\$ 128	\$ 5	\$ -	\$ 133
Cash consideration	-	10	200	210
Transaction costs	13	-	-	13
	\$ 141	\$ 15	\$ 200	\$ 356

December 31, 2020				
Net assets acquired	Regcourt Property	Louvem Property	Northern Star Claims	Total
Exploration and evaluation assets	\$ 141	\$ 15	\$ 200	\$ 356
Total net assets acquired	\$ 141	\$ 15	\$ 200	\$ 356

December 31, 2019								
Consideration paid	Osisko Carve				Garrison Claims	Bourlamaque Claims	Simkar Property	Total
	Out	Chalice	Alexandria	Harricana				
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

December 31, 2019								
Net assets acquired	Osisko Carve				Garrison Claims	Bourlamaque Claims	Simkar Property	Total
	Out	Chalice	Alexandria	Harricana				
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

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

5) Asset acquisitions (continued)

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

On July 5, 2019, the Corporation and Osisko Mining completed the spin-out transaction pursuant to which, among other things, certain assets of Osisko Mining 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 Mining (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 Mining 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 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.

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 ("NSR") royalty on all of the acquired claims that were not subject to a pre-existing royalty. In addition, cash consideration totalling \$1 million, has been paid to Chalice by O3 Mining for existing tax credits upon receipt from Canadian tax authorities.

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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

5) Asset acquisitions (continued)

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 royalty over the claims.

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 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 royalty 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.

g) 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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

5) Asset acquisitions (continued)

h) Acquisition of Regcourt Property

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

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

i) Acquisition of Louvem Property

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

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

j) Acquisition of Northern Star claims

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

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 \$200,000 as detailed in the table above.

6) Taxes recoverable

As at December 31, 2020 and 2019, taxes 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.

7) Marketable securities

The Corporation holds shares and warrants in various public and private companies. During the year ended December 31, 2020, these shares and warrants were fair valued, and this resulted in an unrealized gain of \$4,532,000 (2019 – loss of \$494,000). The Corporation sold shares during the year ended which resulted in a realized gain of \$3,002,000 (2019 – loss of \$510,000).

The shares in the various public companies are classified as FVTPL and are recorded at fair value using the quoted market price as at December 31, 2020 and are therefore classified as level 1 within the fair value hierarchy.

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

7) Marketable securities (continued)

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

As at	December 31, 2020	December 31, 2019
Balance, beginning of year	\$ 10,172	\$ -
Additions	5,276	3,034
Acquisitions	-	10,724
Disposals	(6,092)	(2,582)
Share consideration from disposition of exploration and evaluation assets (note 11)	2,146	-
Realized gain/(loss)	3,002	(510)
Unrealized gain/(loss)	4,532	(494)
Balance, end of year	\$ 19,036	\$ 10,172

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

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

The following table summarizes information regarding the Corporation's assets and liabilities classified as held for sale as at December 31, 2020:

As at	December 31, 2020
Assets classified as held for sale	
Reclamation deposit	\$ 161
Property, plant and equipment	98
Exploration and evaluation assets	24,591
Total assets of disposal group held for sale	\$ 24,850
Liabilities directly associated with assets classified as held for sale	
Asset retirement obligation	\$ (598)
Deferred tax liability	(691)
Total liabilities of disposal group held for sale	\$ (1,289)

9) 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, 2020 and 2019:

As at	December 31, 2020	December 31, 2019
Garrison	\$ -	\$ 251
Buffonta	-	161
Total Reclamation deposits	\$ -	\$ 412

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

9) Reclamation deposit (continued)

The Corporation has a reclamation deposit of \$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 Buffonta Property. Interest was earned on this deposit at a rate of 0.3%. As at December 31, 2020, this reclamation deposit is included in the disposal group and classified as an asset held for sale.

During the year ended December 31, 2020, the reclamation deposit of \$251,000 was returned to the Corporation from the Ministry of Northern Development. The Corporation is holding a surety bond as security for the estimated cost of reclamation on the Garrison property.

10) Property, plant and equipment

The following table summarizes information regarding the Corporation's property, plant and equipment as at December 31, 2020 and 2019:

Class	December 31, 2020											Net book value
	Cost					Accumulated depreciation						
	Opening balance	Additions	Acquisitions (note 5)	Write-off / Disposals	Transfer to assets classified as held for sale (note 8)	Closing balance	Opening balance	Depreciation	Write-off / Disposals	Transfer to assets classified as held for sale (note 8)	Closing balance	
Computer Equipment	\$ 87	\$ 102	\$ -	\$ -	\$ (52)	\$ 137	\$ 11	\$ 35	\$ -	\$ (21)	\$ 25	\$ 112
Office Equipment	9	-	-	-	-	9	1	2	-	-	3	6
Office Buildings	84	1,122	-	(84)	-	1,122	18	67	(40)	-	45	1,077
Exploration Equipment	102	346	-	-	(83)	365	10	54	-	(25)	39	326
Milling Plant	-	299	-	-	-	299	-	-	-	-	-	299
Leasehold Improvements	-	556	-	-	-	556	-	-	-	-	-	556
Automobiles	13	-	-	(3)	(10)	-	1	1	(1)	(1)	-	-
Total	\$ 295	\$ 2,425	\$ -	\$ (87)	\$ (145)	\$ 2,488	\$ 41	\$ 159	\$ (41)	\$ (47)	\$ 112	\$ 2,376

Class	December 31, 2019											Net book value
	Cost					Accumulated depreciation						
	Opening balance	Additions	Acquisitions (note 5)	Write-off / Disposals	Transfer to assets classified as held for sale (note 8)	Closing balance	Opening balance	Depreciation	Write-off / Disposals	Transfer to assets classified as held for sale (note 8)	Closing balance	
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

a) Right-of-use assets

Right-of-use assets were measured at an amount equal to the associated lease liabilities (note 12) on initial recognition. Additions to right-of-use assets for the year ended December 31, 2020 were \$898,000 for office buildings (2019 - \$221,000) and \$176,000 for exploration equipment (2019 - \$nil).

Depreciation relating to right-of-use assets for the year ended December 31, 2020 were \$67,000 for office buildings (2019 - \$28,000) and \$20,000 for exploration equipment (2019 - \$nil).

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

10) Property, plant and equipment (continued)

a) Right-of-use assets (continued)

Right-of-use assets are carried at net book value and presented as part of property, plant and equipment within the same line as which the assets would be if they were owned. The following table summarizes information regarding the Corporation's right of use assets as at December 31, 2020 and December 31, 2019:

As at	December 31, 2020	December 31, 2019
Office Buildings	\$ 853	\$ 66
Exploration Equipment	156	-
Total	\$ 1,009	\$ 66

b) Milling plant

On May 13, 2020, O3 Mining entered into an option agreement with QMX Gold Corp. to acquire a 100% interest in the Aurbel Mill, which is a fully permitted mining facility, located 10 kilometres from O3 Mining's Alpha property. The option grants O3 Mining the right to acquire the Aurbel Mill, the tailings and all its associated permits and liabilities, for a purchase price of \$5 million (subject to adjustment in certain circumstances) at any time during a six-year term. The Corporation has paid a deposit of \$250,000 for the option and must contribute \$87,500 per annum during the six-year term for maintenance costs associated with the Aurbel Mill to maintain the option agreement.

11) Exploration and evaluation assets

The following table summarizes information regarding the Corporation's exploration and evaluation assets as at December 31, 2020 and 2019:

	December 31, 2019	Acquisitions (note 5)	Additions	Disposals	Transfer to assets classified as held for sale (note 8)	Impairment losses	December 31, 2020
Kan - James Bay	\$ 233	\$ -	\$ 3	\$ -	\$ -	\$ -	\$ 236
Éléonore - James Bay	212	-	8	-	-	(220)	-
Éléonore JV - James Bay	200	-	39	-	-	(239)	-
Other - James Bay	270	-	102	-	-	(372)	-
FCl - Corvette Lithium	(35)	-	(27)	-	-	-	(62)
Éléonore Opinaca	1,013	-	-	-	-	-	1,013
Tortigny	793	-	126	(919)	-	-	-
Launay	1,000	-	3	-	-	-	1,003
Malartic Block	61,625	200	3,382	-	-	-	65,207
Garrison Block	23,628	-	963	-	(24,591)	-	-
Hemlo	255	-	-	(255)	-	-	-
Alpha	35,822	15	9,022	-	-	-	44,859
Harricana	1,649	-	-	-	-	-	1,649
East Cadillac	10,025	141	3,319	-	-	-	13,485
Total exploration and evaluation assets	\$ 136,690	\$ 356	\$ 16,940	\$ (1,174)	\$ (24,591)	\$ (831)	\$ 127,390

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

11) Exploration and evaluation assets (continued)

	December 31, 2018	Acquisitions (note 5)	Additions	Disposals	Transfer to assets classified as held for sale (note 8)	Impairment losses	December 31, 2019
Kan - James Bay	\$ -	\$ 230	\$ 3	\$ -	\$ -	\$ -	\$ 233
Éléonore – James Bay	-	200	12	-	-	-	212
Éléonore JV – James Bay	-	200	-	-	-	-	200
Other – James Bay	-	96	174	-	-	-	270
FCI - Corvette Lithium	-	(35)	-	-	-	-	(35)
Éléonore Opinaca	-	1,000	13	-	-	-	1,013
Tortigny	-	1,000	3	(210)	-	-	793
Launay	-	1,000	-	-	-	-	1,000
Malartic Block	-	61,446	179	-	-	-	61,625
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	-	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 Mining entered into an earn-in agreement with Osisko Gold Royalties Ltd ("Osisko GR"), which was amended or amended and restated from time to time (collectively, the "Earn-In Agreements"). O3 Mining assumed such Earn-In Agreements from Osisko Mining on July 5, 2019 in conjunction with the completion of the Reverse Take-Over (note 5). During the year ended December 31, 2020, the Earn-In Agreements were terminated, prior to which O3 Mining earned-in a 100% interest in the Kan Property and the FCI Property. As a result of the termination of the Earn-In Agreements, the Corporation returned all the James Bay properties, other than Kan Property and the FCI Property. Due to this triggering event, the Corporation determined that the carrying amount of the exploration assets of the James Bay properties exceeded its recoverable amount and as such recorded an impairment of \$831,000.

i) Kan – James Bay

As at December 31, 2020, all required amounts were spent and O3 Mining holds a 100% ownership interest in the Kan properties.

ii) FCI – Corvette Lithium Project

On August 27, 2018, Osisko Mining entered into a binding agreement with Gaia Metals Corp (formerly 92 Resources Corp) ("Gaia Metals"), which sets forth the terms of an exploration earn-in on the property. O3 Mining replaced Osisko Mining as a party to the exploration earn-in agreement on completion of the Reverse Take-Over. Under the exploration earn-in, Gaia Metals 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.

On October 21, 2020, the Corporation gave notice to Osisko GR that expenditures aggregating \$250,000 were incurred on the FCI Property before August 27, 2019 thereby successfully earning 50% interest in the property.

On November 20, 2020, as part of the termination of the earn-in agreement with Osisko GR and as consideration for the expenditures incurred on the James Bay properties returned to Osisko GR, the Corporation received the remaining 50% interest in the FCI Property.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

11) Exploration and evaluation assets (continued)

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 royalty of 0.5%.

c) Tortigny Property

The Corporation acquired the Tortigny Property through the Reverse Take-Over (note 5). During the year ended December 31, 2019, three claims within the Tortigny Property were sold to Troilus Gold Corp ("Troilus") in exchange for 300,000 common shares of Troilus.

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

On April 29, 2020, O3 Mining completed a transaction with Kenorland Minerals Ltd. ("Kenorland"), under which the Corporation disposed of a package of 24 claims forming part of the Tortigny Property in exchange for (i) cash consideration of \$900,000, of which \$650,000 is a long-term receivable, and (ii) a 2% NSR royalty over the 24 claims sold to Kenorland (subject to a 1% buy-back in favour of Kenorland for \$1 million). Consideration for the claims was \$861,000 (less transaction costs of \$39,000). Book value of the properties on the date of disposition was \$34,000, resulting in a gain on sale of exploration and evaluation assets of \$827,000.

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 royalty of 1.5%.

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-Témiscamingue region of Québec, Canada. The Marban Project is subject to 2% to 3% NSR royalties, most of them allowing buy-back for half of the royalty.

ii) Siscoe East Project

The Corporation owns a 100% interest in the claims covering the Siscoe East property which located in the Vassan Township in the Abitibi-Témiscamingue region of Québec. Some claims are subject to a 2% NSR royalty. Half of the NSR royalties may be repurchased for a total of \$2,750,000.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

11) Exploration and evaluation assets (continued)

e) Malartic Block Properties (continued)

iii) Héva Project

The Héva Property is located northwest of the town of Val-d'Or, in the Abitibi-Témiscamingue region of Québec. Some of the claims of the Héva property are subject to a 1.5% NSR royalties of which half may be repurchased for \$200,000.

iv) Other Projects

The other projects grouped with the Malartic Block Properties include the Camflo West, the Malartic Hygrade, the Malartic Hygrade-NSM and the Malartic H projects. The Corporation owns a 100% interest in the claims of the Camflo West, the Malartic Hygrade, the Malartic Hygrade-NSM properties and the Northern Star claims. The Malartic H claims are 85% owned and the remaining 15% can be purchased by paying \$25,000. On November 9, 2020, O3 Mining completed the acquisition of the remaining 50% Northern Star claims (also known as the Virginia claims) from 9265-991 Québec Inc 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).

In December 2020, the Corporation decided to dispose of the Garrison Block Properties through the sale of its wholly owned subsidiary Northern Gold. As at December 31, 2020 the assets and associated liabilities of Northern Gold are classified as held for sale (note 8).

g) Hemlo Property

The Corporation acquired the Hemlo Property through the Reverse Take-Over (note 5). On May 8, 2020, O3 Mining completed a transaction with Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.) ("Hemlo"), under which the Corporation disposed of the Hemlo Property in exchange for (i) 2,550,000 common shares of Hemlo, and (ii) a discovery bonus of CDN \$1,000,000, payable in cash or shares at Hemlo's option, if in the future Hemlo publishes a feasibility study in respect of the Hemlo properties containing at least 2,000,000 ounces of gold. Consideration for the properties was fair valued at \$242,000 (less transaction costs of \$14,000). Book value of the properties on the date of disposition was \$254,000, resulting in a loss on sale of exploration and evaluation assets of \$12,000.

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 NSR royalties of between 1% to 2.5%. A portion of these NSR royalties 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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

11) Exploration and evaluation assets (continued)

h) Alpha Group (continued)

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 royalty, of which 0.5%, or a third, may be purchased by O3 Mining for \$1,000,000.

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).

On March 16, 2020, O3 Mining completed the acquisition of the Louvem Property from Monarch. O3 Mining acquired 50% of the property from Monarch in exchange for 4,546 common shares of O3 Mining, subject to a 1% NSR royalty granted to Monarch on the Louvem Property with a 0.5% NSR royalty buy-back for \$300,000 (note 5).

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

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

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 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 comprised two earn-in agreements in addition to the ground wholly owned by O3 Mining.

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

11) Exploration and evaluation assets (continued)

j) East Cadillac Property (continued)

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. During the year ended December 31, 2020 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 royalty with a 1% buy-back right for \$1,000,000.

On March 16, 2020, O3 Mining completed the acquisition of the Regcourt Property from Monarch Gold Corporation ("Monarch"). O3 Mining acquired the property from Monarch in exchange for 113,637 common shares of O3 Mining (note 5).

12) Leases

The following table summarizes information regarding the Corporation's lease liabilities as at December 31, 2020 and December 31, 2019:

As at	December 31, 2020	December 31, 2019
Balance, beginning of year	\$ 181	\$ -
Additions	1,074	221
Accretion of interest	35	7
Payments	(169)	(47)
Disposal	(47)	-
Balance, end of year	\$ 1,074	\$ 181
Current	\$ 181	\$ 104
Non-current	893	77
Total lease liabilities	\$ 1,074	\$ 181

Total additions to exploration and evaluation assets relating to low-value asset leases and short-term leases for the year ended December 31, 2020 was \$49,000 (2019 – \$nil).

13) Restricted share unit and deferred share unit plans

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

13) Restricted share unit and deferred share unit plans (continued)

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

	Number of DSUs	Number of RSUs
Outstanding at January 1, 2019	-	-
Granted	-	390,000
Outstanding at December 31, 2019	-	390,000
Granted	51,440	150,000
Forfeited	-	(50,000)
Outstanding at December 31, 2020	51,440	490,000

During the year ended December 31, 2020, 51,440 DSUs were issued to the directors in lieu of directors' fees (2019 - nil). The weighted average fair value of the DSU granted was \$2.46 per DSU initially at the closing price of the common shares of the Corporation on the date of grant (2019 - \$nil). The DSUs vest immediately on the date of grant.

During the year ended December 31, 2020, 150,000 RSUs were issued to management (2019 – 390,000). The weighted average fair value of the RSUs granted was \$2.46 per RSU initially at the closing price of the common shares of the Corporation on the date of grant (2019 - \$3.07). The RSUs vest on the third anniversary date from the date of grant.

As at December 31, 2020 the share-based payment liability related to each RSU and DSU was re-measured to fair value at the Corporation's closing share price of \$3.17.

The total recognized expense for RSUs and DSUs of the Corporation for the year ended December 31, 2020 was \$658,000 (2019 - \$143,000) from which \$15,000 was capitalized to exploration and evaluation assets (2019 - \$12,000).

14) 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.

During the year ended December 31, 2019, an updated rehabilitation plan was completed for the Garrison Block Properties and, as such, a change in estimate of \$320,000 has been recognized to the Garrison Block Properties.

The following table summarizes the Corporation's asset retirement obligation as at December 31, 2020 and 2019:

As at	December 31, 2020	December 31, 2019
Balance, beginning of year	\$ 570	\$ -
Acquisitions	-	246
Accretion	2	4
Change in estimate	26	320
Transfer to liabilities associated with assets classified as held for sale	(598)	-
Balance, end of year	\$ 0	\$ 570

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

14) Asset retirement obligation (continued)

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

<i>For the year ended December 31,</i>	2020	2019
Total undiscounted value of payments	\$ 608	\$ 617
Weighted average discount rate	0.39%	1.68%
Weighted average expected life	4 years	5 years
Inflation rate	2.00%	2.00%

15) 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:

<i>For the year ended</i>	December 31, 2020	December 31, 2019
Income/(loss) before tax	\$ 6,164	\$ (3,802)
Income tax expense/(recovery) computed at Canadian statutory tax rate	1,633	(1,008)
Permanent items	(777)	287
Change in unrecognized deferred tax assets	(294)	500
Deferred mining taxes	2,389	559
Deferred income tax expense	\$ 2,951	\$ 338

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

<i>For the period ended</i>	December 31, 2020	December 31, 2019
Deferred income tax expense/(recovery)	\$ 562	\$ (221)
Deferred mining tax expense	2,389	559
Total deferred income tax expense	\$ 2,951	\$ 338

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

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

<i>As at</i>	December 31, 2020	December 31, 2019
Deferred tax liability		
Deferred income tax liability on net taxable temporary differences	\$ (1,068)	\$ (506)
Deferred mining tax liability on net taxable temporary differences	(2,707)	(1,009)
Total deferred tax liability	\$ (3,775)	\$ (1,515)

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

15) Income taxes (continued)

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

<i>For the year ended</i>	December 31, 2020	December 31, 2019
Non-capital losses and exploration expenditures	\$ 35,030	\$ 42,603
Share issue costs	3,813	2,341
Investment tax credits	1,934	1,934
Deferred mining taxes	2,917	999
Other	1,457	-
Unrecognized gross net deductible temporary differences	\$ 45,150	\$ 47,877

Deferred tax asset was not recognized with respect to non-capital losses of \$53,399,000 (2019 - \$49,992,000) which if not utilized will expire between the years of 2026 to 2040. The Corporation has also not recognized net deductible temporary differences with respect to investment tax credits of \$1,934,000 (2019 - \$1,934,000), which, if not utilized, will expire between the years of 2029 and 2034.

16) Capital and other components of equity

a) Share capital – authorized

	Number of Common Shares ¹	Amount
Balance, January 1, 2019	600,249	\$ 2,827
Issuance of shares on acquisition of assets from Osisko (note 5)	24,977,898	96,914
Issuance of shares on acquisition of Chalice (note 5)	3,092,784	9,278
Issuance of shares on acquisition of Alexandria (note 5)	9,557,956	27,909
Issuance of shares on acquisition of Harricana Mining (note 5)	773,193	2,003
Issuance of shares on acquisition of option to acquire Garrison claims (note 5)	64,433	158
Issuance of shares on acquisition of Simkar Property (note 5)	435,000	1,122
Issuance of shares on acquisition of Bourlamaque claims (note 5)	42,017	109
Private placement (net of transaction costs (\$1,489,000))	4,772,042	11,609
Private placement (net of transaction costs (\$733,000))	2,400,000	5,867
Issuance of shares on settlement of debt	211,643	529
Balance December 31, 2019	46,927,215	\$ 158,325
Issuance of shares upon exercise of warrants (note 16(e))	100	1
Issuance of shares upon exercise of options (note 16(e))	34,458	127
Issuance of shares on acquisition of Regcourt Property (note 5)	113,637	128
Issuance of shares on acquisition of Louvem Property (note 5)	4,546	5
Private placement (net of transaction costs (\$2,373,000))	13,251,010	25,564
Balance December 31, 2020	60,330,966	\$ 184,150

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

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

On July 5, 2019, O3 Mining acquired ownership over a group of assets as part of the Reverse Take-Over of the Corporation by Osisko Mining. Pursuant to the transaction, Osisko Mining 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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

16) Capital and other components of equity (continued)

a) Share capital – authorized (continued)

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. 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).

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

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

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

16) Capital and other components of equity (continued)

a) Share capital – authorized (continued)

On June 19, 2020, O3 Mining completed a private placement of 4,651,200 flow-through units of the Corporation at a price of \$4.30 per flow-through unit for gross proceeds of \$20,000,000. Each flow-through unit is comprised of one common share, issued as a flow-through share of the corporation, and one-half of one common share purchase warrant. Each common share purchase warrant is exercisable into one common share of the Corporation until June 19, 2022, at an exercise price of \$3.25 and is valued at \$0.56 per common share purchase warrant for a total value of \$1,306,000. The flow-through shares were issued at a premium of \$1.84 to the current market price of the Corporation's common shares at the day of issue and the value of the warrant. The premium was recognized as a long-term liability for \$8,556,000 with a subsequent pro-rata reduction of the liability recognized as flow-through premium income as the required expenditures are incurred. The transaction costs amounted to \$1,180,000 and have been netted against the gross proceeds on closing.

On June 19, 2020, O3 Mining completed a private placement of 8,599,810 units of the Corporation at a price of \$2.35 per unit for gross proceeds of \$20,210,000. Each unit is comprised of one common share of the corporation and one-half of one common share purchase warrant. Each common share purchase warrant is exercisable into one common share of the Corporation until June 19, 2022, at an exercise price of \$3.25 and is valued at \$0.56 per common share purchase warrant for a total value of \$2,412,000. The transaction costs amounted to \$1,193,000 and have been netted against the gross proceeds on closing.

During the year ended December 31, 2020, flow-through premium income of \$5,209,000, relating to flow-through shares issued by the Corporation, was recognized (2019 – \$822,000).

b) Basic earnings and loss per share

The calculation of basic earnings and loss per share for the year ended December 31, 2020 and 2019 was based on the income and loss attributable to common shareholders and a basic weighted average number of common shares outstanding, calculated as follows:

<i>For the year ended</i>	December 31, 2020	December 31, 2019
Common shares outstanding, at beginning of the year ¹	46,927,215	600,249
Common shares issued during the year ¹	7,191,964	21,017,419
Basic weighted average number of common shares ¹	54,119,179	21,617,668
(Income)/Loss	\$ (3,213)	\$ 4,140
Basic (earnings)/loss per share	\$ (0.06)	\$ 0.19

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

c) Diluted earnings and loss per share

The calculation of diluted earnings and loss per share for the year ended December 31, 2020 and 2019 was based on the income and loss attributable to common shareholders and a basic weighted average number of common shares outstanding, adjusted for the effect of each stock option where the exercise price exceeds the average market price of ordinary shares during the period and vested deferred share units ("DSUs").

During the year ended December 31, 2020 and 2019 there were no vested restricted share units ("RSUs") and the average market price of ordinary shares during the period did not exceed the exercise price of the vested warrants. As a result, no adjustment was made to the basic weighted average number of common shares outstanding for these instruments.

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

16) Capital and other components of equity (continued)

c) Diluted earnings and loss per share (continued)

The Corporation incurred losses for the year ended December 31, 2019, therefore all outstanding stock options, warrants, RSUs and DSUs have been excluded from the calculation of diluted loss per share since the effect would be anti-dilutive:

<i>For the year ended</i>	December 31, 2020	December 31, 2019
Basic weighted average number of common shares ¹ (note 10(b))	54,119,179	21,617,668
Effect of dilutive stock options	918	-
Effect of dilutive DSUs	23,038	-
Diluted weighted average number of common shares ¹	54,143,135	21,617,668
(Income)/Loss	\$ (3,213)	\$ 4,140
Diluted (earnings)/loss per share	\$ (0.06)	\$ 0.19

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

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, 2020 and 2019:

	Number of stock options ¹	Weighted-average exercise price
Outstanding at January 1, 2019	44,500	\$ 2.29
Granted	2,852,009	3.02
Cancelled	(44,500)	2.29
Expired	(4,510)	5.54
Outstanding at December 31, 2019	2,847,499	\$ 3.01
Granted	1,370,000	2.50
Exercised	(34,458)	2.77
Forfeited	(228,333)	3.02
Expired	(37,165)	3.04
Outstanding at December 31, 2020	3,917,543	\$ 2.83

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

During the year ended December 31, 2020, 1,370,000 stock options (2019 – 2,852,009) were issued to directors, management, and employees for a period of 5 years. The options have been fair valued using the Black-Scholes option-pricing model.

The total recognized expense for stock options for the year ended December 31, 2020 was \$2,364,000 (2019 - \$2,252,000) from which \$77,000 was capitalized to exploration and evaluation assets (2019 - \$480,000).

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

16) Capital and other components of equity (continued)

d) Contributed surplus (continued)

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

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

The following table summarizes information regarding the Corporation's outstanding and exercisable stock options as at December 31, 2020:

Range of exercise prices per share (\$)	Options outstanding			Options exercisable			
	Weighted-average remaining years of contractual life	Number of stock options outstanding	Weighted average exercise price (\$)	Weighted-average remaining years of contractual life	Number of stock options exercisable	Weighted average exercise price (\$)	
2.44 to 2.92	3.9	1,743,686	\$2.52	3.0	243,685	\$2.67	
2.93 to 3.20	3.6	2,046,667	\$3.07	3.6	1,370,004	\$3.07	
3.21 to 3.47	1.0	109,149	\$3.33	1.0	109,149	\$3.33	
3.48 to 3.60	1.2	18,041	\$3.60	1.2	18,041	\$3.60	
2.44 to 3.60	3.7	3,917,543	\$2.83	3.3	1,740,879	\$3.04	

e) Warrants

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

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

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

16) Capital and other components of equity (continued)

e) Warrants (continued)

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

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

17) Expenses

The following table summarizes information regarding the Corporation's expenses for the year ended December 31, 2020 and 2019:

<i>For the year ended</i>	December 31, 2020	December 31, 2019
Compensation expenses		
Stock-based compensation (note 13 and note 16(d))	\$ 2,930	\$ 1,902
Salaries and benefits	2,088	541
Total compensation expenses	\$ 5,018	\$ 2,443
General and administration expenses		
Shareholder and regulatory expense	\$ 570	\$ 228
Travel expense	90	141
Professional fees	1,583	772
Office expense	416	344
Total general and administration expenses	\$ 2,659	\$ 1,485
Marketable securities		
Realized (gain)/loss from marketable securities (note 7)	\$ (3,002)	\$ 510
Unrealized (gain)/loss from marketable securities (note 7)	(4,532)	494
Total marketable securities (gain)/loss	\$ (7,534)	\$ 1,004

18) 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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

18) Related party transactions (continued)

During the year ended December 31, 2020, management fees, geological services, rent and administration fees of \$1,001,000 (2019 - \$1,289,000) were incurred with Osisko Mining, a related company of the Corporation by virtue of Osisko Mining having significant influence over the Corporation. Also, Mr. John Burzynski, Chairman of the Board of Directors of the Corporation, serves as Executive Chairman, CEO, and Director of Osisko Mining and Mr. José Vizquerra, President and CEO of O3 Mining, serves as a Director of Osisko Mining. Accounts payable and accrued liabilities to Osisko Mining as at December 31, 2020 were \$262,000 (2019 - \$362,000).

During the year ended December 31, 2020, claim maintenance fees of \$140,000 (2019 - \$16,000) were incurred with Osisko GR, a related company of the Corporation under IFRS by virtue of Osisko GR owning or controlling, directly or indirectly, greater than 10% of the issued and outstanding common shares of Osisko Mining, which has significant influence over the Corporation. Also, Mr. John Burzynski, Chairman of the Board of Directors of the Corporation, serve as a Director of Osisko GR. Accounts payable to Osisko GR as at December 31, 2020 were \$nil (2019 - \$51,000).

The following table summarizes remuneration attributable to key management personnel for the years ended December 31, 2020 and 2019:

<i>For the year ended</i>	December 31, 2020	December 31, 2019
Salaries expense of key management	\$ 1,187	\$ 319
Directors' fees	480	193
Stock-based compensation	1,597	979
Total	\$ 3,264	\$ 1,491

19) 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, 2020, the Corporation has cash, cash equivalents and marketable securities totaling \$53,305,000 (December 31, 2019 - \$26,874,000) which were available for growing the Corporation.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

20) 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, 2020 and 2019 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, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 34,269	\$ -	\$ -	\$ 16,702	\$ -	\$ -
Marketable securities	17,982	1,054	-	9,861	311	-
Other receivables	-	812	-	-	734	-
Reclamation deposit	-	-	-	-	412	-

As at December 31, 2020 and 2019, 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 2020.

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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

20) 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, 2020, the Corporation had a cash balance of \$34,269,000 (2019 - \$16,702,000) to settle current liabilities of \$4,721,000 (2019 - \$3,311,000). 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, 2020 (note 21).

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, 2020, had increased or decreased by 0.1%, with all variables held constant, the earnings for the year ended December 31, 2020, 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.

21) Commitments

The Corporation has the following exploration commitments as at December 31, 2020:

	Total	2021	2022	2023	2024	2025	2026
Office leases	\$ 9	\$ 9	\$ -	\$ -	\$ -	\$ -	\$ -
Camp trailers and equipment leases	209	76	76	57	-	-	-
Total	\$ 218	\$ 85	\$ 76	\$ 57	\$ -	\$ -	\$ -

On December 16, 2020, the Department of Finance published draft legislation that proposes to extend the flow-through funds spend period and the look-back rule by one year, including suspending the Part XII.6 tax for the same period. Based on the draft legislation, as of December 31, 2020, the Corporation would be required to spend the following flow-through funds by December 31, 2022. If the extension is not enacted by the Department of Finance, the date for the flow-through spend requirements will remain at December 31, 2021:

Closing Date of Financing	Province	Remaining Flow-through Funds
June 19, 2020	Québec	14,326
Total		\$ 14,326

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

21) Commitments (continued)

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

22) Subsequent events

On January 5, 2021, 890,000 stock options were issued to management, at an exercise price of \$3.26 and a term of 5 years. The options have been fair valued at \$1.81 per option on average using the Black-Scholes option pricing model. One third of these options vest on the first anniversary from the date of grant, with the remaining thirds each vesting on the second and third anniversaries from the date of grant.

On January 5, 2021, 90,000 RSUs were issued to management. Each RSU has been fair valued at \$3.26 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.

On February 24, 2021, the Corporation announced that it has closed a definitive share purchase agreement with Moneta, in which it has sold its wholly owned subsidiary, Northern Gold, in exchange for 149,507,273 common shares of Moneta, representing approximately 27.0% of the number of issued and outstanding common shares of Moneta.

On February 25, 2021, the Corporation completed a private placement of 7,709,300 common shares of the Corporation at a price of \$4.54 per common share issued as flow-through shares for gross proceeds of \$35,000,000.