



Consolidated Financial Statements
For the years ended December 31, 2023 and 2022
Presented in Canadian dollars

O3 Mining

March 6, 2024

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of O3 Mining Inc. were prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. 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) "Elijah Tyshynski"

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 subsidiary (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of loss and comprehensive 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, comprising material accounting policy information 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
<p data-bbox="261 485 779 541">Assessment of impairment indicators for exploration and evaluation assets</p> <p data-bbox="261 579 849 667"><i>Refer to note 3 – Material accounting policies and note 9 – Exploration and evaluation assets to the consolidated financial statements.</i></p> <p data-bbox="261 705 873 1276">The total book value of exploration and evaluation assets amounted to \$205.7 million as at December 31, 2023. At each reporting period, management applies judgment in assessing whether there are any indicators of impairment relating to exploration and evaluation assets. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include (i) the period during 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; and (iii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. No impairment indicators were identified by management as at December 31, 2023.</p> <p data-bbox="261 1314 854 1562">We considered this a key audit matter due to the significance of the exploration and evaluation assets and the judgments by management in its assessment of indicators of impairment related to exploration and evaluation assets, and these have resulted in a high degree of subjectivity in performing procedures related to these judgments applied by management.</p>	<p data-bbox="898 485 1511 541">Our approach to addressing the matter included the following procedures, among others:</p> <ul data-bbox="898 562 1507 1178" style="list-style-type: none"><li data-bbox="898 562 1507 653">• Evaluated the reasonableness of management’s assessment of impairment indicators, which included the following:<ul data-bbox="946 674 1507 1178" style="list-style-type: none"><li data-bbox="946 674 1507 800">– Obtained, for a sample of claims, by reference to government registries, evidence to support (i) the right to explore the area and (ii) claim expiration dates.<li data-bbox="946 821 1507 999">– Read the board of directors’ minutes and obtained budget approvals to evidence continued and planned exploration expenditure, which included evaluating and testing the actual exploration expenditure incurred.<li data-bbox="946 1020 1507 1178">– Assessed if other facts and circumstances suggest that the carrying amount may exceed the recoverable amount, based on evidence obtained in other areas of the audit.

Other information

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 6, 2024

O3 Mining

Table of Contents

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	9
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS.....	10
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY.....	11
CONSOLIDATED STATEMENTS OF CASH FLOWS.....	12
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	
1) Reporting entity.....	13
2) Basis of preparation.....	13
3) Material accounting policies.....	15
4) Changes in IFRS accounting policies and future accounting pronouncements.....	20
5) Taxes recoverable.....	21
6) Marketable securities.....	21
7) Investment in associate.....	21
8) Property, plant and equipment.....	23
9) Exploration and evaluation assets.....	24
10) Leases.....	25
11) Restricted share unit plans and deferred share unit plans.....	26
12) Convertible debenture.....	26
13) Income taxes.....	27
14) Capital and other components of equity.....	29
15) Expenses.....	32
16) Related party transactions.....	32
17) Capital risk factors.....	33
18) Financial instruments.....	33
19) Commitments.....	35

O3 Mining

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

<i>As at</i>	December 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 23,453	\$ 18,711
Other receivables	9	483
Advances and prepaid expenses	517	405
Taxes recoverable	869	3,185
Marketable securities (note 6)	6,901	7,830
Total current assets	31,749	30,614
Non-current assets		
Investment in associate (note 7)	18,688	50,896
Property, plant and equipment (note 8)	5,769	4,328
Exploration and evaluation assets (note 9)	205,681	183,697
Total non-current assets	230,138	238,921
Total assets	\$ 261,887	\$ 269,535
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,981	\$ 4,184
Current lease liabilities (note 10)	264	337
Accrued interest expense (note 12)	281	-
Total current liabilities	5,526	4,521
Non-current liabilities		
Flow-through premium liability (note 14(a))	2,072	5,146
Share-based payment liability (note 11)	3,206	1,927
Convertible debenture (note 12)	6,256	-
Non-current lease liabilities (note 10)	1,238	1,502
Deferred tax liability (note 13)	15,341	15,115
Total non-current liabilities	28,113	23,690
Total liabilities	33,639	28,211
Equity		
Share capital (note 14(a))	231,800	214,211
Contributed surplus (note 14(d))	20,085	19,571
Equity component of convertible debenture (note 12)	2,932	-
(Accumulated deficit)/Retained earnings	(26,569)	7,542
Total equity attributed to equity holders of the Corporation	228,248	241,324
Total liabilities and equity	\$ 261,887	\$ 269,535

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

Commitments (note 19)

On behalf of the Board:

(Signed) "Keith McKay"

Keith McKay, Director

(Signed) "John Burzynski"

John Burzynski, Chairman

O3 Mining

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

<i>For the year ended</i>	Year ended	
	December 31, 2023	December 31, 2022
Expenses/(income)		
Compensation expenses (note 15)	\$ 4,491	\$ 4,396
General and administration expenses (note 15)	3,022	3,438
General exploration expenses	2	79
Loss on impairment of exploration and evaluation assets	-	7,893
Flow-through premium income (note 14(a))	(5,226)	(9,747)
Loss from marketable securities (note 6)	73	98
Gain on disposition of property, plant and equipment (note 8)	(2)	-
Gain on disposition of exploration and evaluation assets (note 9)	(59)	(4,246)
Share of loss/(gain) of associate (note 7)	34	(509)
Loss on impairment of investments (note 7)	32,174	-
Loss before finance items and income tax	34,509	1,402
Finance income	(690)	(391)
Finance costs	1,040	386
Net finance loss/(income)	350	(5)
Loss before tax	34,859	1,397
Deferred income tax (recovery)/expense (note 13)	(878)	5,611
Current income tax expense (note 13)	130	-
Loss and comprehensive loss	\$ 34,111	\$ 7,008
Basic loss per share (note 14(b))	\$ 0.45	\$ 0.10
Weighted average number of shares (note 14(b))	75,304,448	70,747,118
Diluted loss per share (note 14(c))	\$ 0.45	\$ 0.10
Diluted weighted average number of shares (note 14(c))	75,304,448	70,747,118

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	Share Capital	Equity component of convertible debenture	Contributed Surplus	Retained Earnings/ (Accumulated Deficit)	Total
Balance January 1, 2023	74,834,969	\$ 214,211	\$ -	\$ 19,571	\$ 7,542	\$ 241,324
Loss for the period	-	-	-	-	(34,111)	(34,111)
Stock-based compensation	-	-	-	514	-	514
Shares repurchased under normal course issuer bid (note 14(a))	(210,100)	(335)	-	-	-	(335)
Private placement (net of transaction costs (\$704))	11,394,487	15,704	-	-	-	15,704
Issuance of shares on acquisition of Kinebik Property (note 9(a))	88,402	136	-	-	-	136
Issuance of shares on acquisition of Cameron Property (note 9(a))	1,185,897	1,897	-	-	-	1,897
Issuance of convertible debenture (note 12)	-	-	3,989	-	-	3,989
Deferred tax asset/(liability) (note 13)	-	187	(1,057)	-	-	(870)
Balance December 31, 2023	87,293,655	\$ 231,800	\$ 2,932	\$ 20,085	\$ (26,569)	\$ 228,248

Attributable equity to owners of the Corporation

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Retained Earnings	Total
Balance January 1, 2022	68,160,439	\$ 204,682	\$ 9,399	\$ 8,947	\$ 14,550	\$ 237,578
Loss for the period	-	-	-	-	(7,008)	(7,008)
Stock-based compensation	-	-	-	1,225	-	1,225
Expiry of Warrants	-	-	(9,399)	9,399	-	-
Issuance of shares on acquisition of East-West Property	325,000	718	-	-	-	718
Private placement (net of transaction costs (\$1,388))	7,150,930	9,481	-	-	-	9,481
Shares repurchased under normal course issuer bid	(851,400)	(1,099)	-	-	-	(1,099)
Issuance of shares upon exercise of stock based instruments	50,000	61	-	-	-	61
Deferred tax asset on share issue cost	-	368	-	-	-	368
Balance December 31, 2022	74,834,969	\$ 214,211	\$ -	\$ 19,571	\$ 7,542	\$ 241,324

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, 2023	December 31, 2022
Cash flows provided by/(used in) operating activities		
Loss for the year	\$ (34,111)	\$ (7,008)
Adjustments for:		
Stock-based compensation (note 11 and note 14(d))	1,676	2,102
Depreciation (note 8)	120	93
Flow-through premium income (note 14(a))	(5,226)	(9,747)
Marketable securities loss (note 6)	73	98
Gain on disposition of property, plant and equipment (note 8)	(2)	-
Gain on disposition of exploration and evaluation assets (note 9)	(59)	(4,246)
Loss on impairment of exploration and evaluation assets	-	7,893
Interest income	(690)	(391)
Interest expense on lease liabilities	89	101
Interest expense on convertible debenture (note 12)	776	-
Settlement of restricted share units (note 11)	(233)	(504)
Share of loss/(gain) of associate (note 7)	34	(509)
Loss on impairment of investments (note 7)	32,174	-
Deferred income tax (recovery)/expense (note 13)	(878)	5,611
	(6,257)	(6,507)
Change in items of working capital:		
Change in other receivables	474	456
Change in advances and prepaid expenses	(112)	(62)
Change in taxes recoverable	2,550	(1,049)
Change in accounts payable and accrued liabilities	623	(138)
Net cash used in operating activities	(2,722)	(7,300)
Cash flows provided by/(used in) investing activities		
Interest received	690	391
Acquisition of marketable securities (note 6)	(82)	(237)
Proceeds on disposition of marketable securities (note 6)	2,138	11,836
Acquisition of property, plant and equipment (note 8)	(1,989)	(760)
Addition to exploration and evaluation assets (note 9)	(19,960)	(30,489)
Proceeds on disposition of exploration and evaluation assets (note 9)	-	2,992
Acquisition of exploration and evaluation assets (note 9)	(219)	(768)
Net cash used in investing activities	(19,422)	(17,035)
Cash flows from/(used in) financing activities		
Interest paid	(250)	-
Repayment of lease liabilities (note 10)	(385)	(415)
Cash received on issuance of convertible debenture (note 12)	10,000	-
Cash received from private placements (note 14(a))	18,560	18,730
Transaction costs on private placements (note 14(a))	(704)	(1,388)
Net cash used in repurchasing shares under normal course issuer bid (note 14(a))	(335)	(1,099)
Net cash from financing activities	26,886	15,828
Increase/(Decrease) in cash and cash equivalents	4,742	(8,507)
Cash and cash equivalents, beginning of year	18,711	27,218
Cash and cash equivalents, end of year	\$ 23,453	\$ 18,711

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

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

(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 under the laws of British Columbia and continued into Ontario on June 28, 2019 under the *Business Corporations Act* (Ontario). The address of the Corporation's registered office is 155 University Ave, Suite 1440, Toronto, Ontario, Canada. The Corporation is primarily in the business of acquiring, exploring, and developing precious metal mineral deposits in Canada.

The business of acquiring, advancing, and exploring precious metal mineral deposits involves a high degree of risk. O3 Mining is in the exploration and development 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 exploration and evaluation assets.

2) Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS").

These consolidated financial statements were authorized for issuance by the Corporation's board of directors (the "Board of Directors") on March 6, 2024.

b) Functional and presentation currency

These financial statements are presented in Canadian dollars (tabular amounts expressed in thousands of Canadian dollars, except per share and share amounts), 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.

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

(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:

Determination of significant influence over equity investments:

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

As at December 31, 2023, management determined that it was able to exert significant influence over Moneta Gold Inc. ("Moneta") based on the Corporation's ownership interest, and as a result, accounts for this investment as an associate using the equity method.

Impairment of investments in associate:

The Corporation follows the guidance of IAS 28, *Investments in Associates and Joint Ventures* to assess whether there is objective evidence that its net investment in the associate is impaired, which may lead to the recognition of an impairment loss with respect to its net investment in an associate. This determination requires significant judgement in evaluating objective evidence of impairment as a result of a loss event and whether a loss event has an impact on the estimated future cash flows from the net investment. If there is objective evidence that the carrying value of an associate is impaired, it is written down to its recoverable amount. In making this judgement, the Corporation's management evaluates, among other factors, the duration and extent to which the market value of an investment is less than its carrying amount, the volatility of the investment and the financial health and business outlook for the investee, including factors such as the current and expected status of the investee's exploration projects and changes in financing cash flows.

On November 28, 2023, Moneta announced a merger with Nighthawk Gold Corp ("Nighthawk"), which was subsequently completed on February 6, 2024 by Moneta acquiring all of the issued and outstanding shares of Nighthawk in exchange for common shares in Moneta. Moneta was renamed as STLLR Gold Inc. ("STLLR"). Following the completion of the merger between Moneta and Nighthawk, O3 Mining owned just over 12% of STLLR, and holds one Board seat. The Corporation identified the decline in the share price of Moneta and the merger as objective evidence of impairment and recorded an impairment of its investment in Moneta (note 7).

Impairment of exploration and evaluation assets:

The Corporation follows the guidance of IFRS 6, *Exploration for and Evaluation of Mineral Resources* to assess whether there is objective evidence that its exploration and evaluation assets are impaired, which may lead to the recognition of an impairment loss with respect to its exploration and evaluation assets. This determination requires significant judgement in evaluating objective facts and circumstances that may indicate that an entity should test exploration and evaluation assets for impairment. If there is objective evidence that an exploration and evaluation asset is impaired, it is written down to its recoverable amount. In making this judgement, the Corporation's management evaluates, among other factors, the period for which the Corporation has the rights to explore in the specific area, budgeted or planned expenditure on further exploration for and evaluation of mineral resources, discovery of commercially viable quantities of mineral resources on the property and if the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

(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 (continued)

Income taxes:

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

ii) Significant accounting estimates and assumptions

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

Impairment of non-financial assets:

The Corporation assesses its non-financial assets 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 the convertible debenture:

Determining the fair value of the components of the convertible debenture (the host debt and the equity component) involves the application of both the Black-Scholes option-pricing model and the discounted cash flow method. The valuation of the convertible debenture requires the input of highly subjective assumptions that can materially affect the fair value estimate. The valuation of the convertible debenture is subjective and can impact profit and loss significantly.

- **Risk-free interest rate:** The Corporation uses the interest rate available for government securities of an equivalent expected term at each valuation date.
- **Volatility:** The Corporation uses historical information on the market price of common shares of the Corporation to determine the degree of volatility at each valuation date.
- **Credit Spread:** The Corporation calibrated the credit spread at the inception date such that the fair value of the convertible debenture equals the total proceeds received, within a reasonable range for an exploration stage mining company.

3) Material 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, 2023 and 2022.

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

3) **Material accounting policies (continued)**

a) Basis of consolidation

The consolidated financial statements of O3 Mining consolidate the results of the Corporation and its subsidiaries. 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.

Currently, the Corporation has no subsidiaries, following the latest reorganization on January 1, 2023.

b) Financial instruments

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 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 are recognized initially at fair value, plus any transaction costs incurred, and subsequently measured at amortized cost, using the effective interest method. The Corporation recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost.

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

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

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

In instances where the contractual terms of a financial instrument have not changed, but the substance of the contractual arrangement has changed such that the initial classification of the instrument as either an equity instrument or a financial liability has changed, the Corporation has made the accounting policy choice to reclassify the financial instrument in accordance with the provisions of IFRS 9. For the Corporation's convertible debenture, this resulted in the reclassification of the conversion feature from an embedded derivative liability to equity as described in note 12.

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

3) Material accounting policies (continued)

b) Financial instruments (continued)

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

c) 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. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognized in the statement of loss. At each reporting period, management applies judgment in assessing whether there are any indicators of impairment relating to exploration and evaluation assets. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include: (i) the period during 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; and (iii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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.

d) Impairment of non-financial assets

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

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

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

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior years are assessed at each reporting year for any indications that the loss decreased or no longer exists.

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

3) Material accounting policies (continued)

d) Impairment of non-financial assets (continued)

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.

e) Investment in associate

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

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

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

f) Current and deferred income tax

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

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

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

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

3) Material accounting policies (continued)

f) Current and deferred income tax (continued)

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

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

g) 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.

h) Share capital

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

i) 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.

j) 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 liability, 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 as the qualified resource expenditures are made.

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

3) Material accounting policies (continued)

k) Stock based compensation

The Corporation maintains a share option plan, a restricted share unit ("RSU") plan, and a deferred share unit ("DSU") 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 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 for common shares, 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 for common shares, the liability is transferred to share capital.

4) Changes in IFRS accounting policies and future accounting pronouncements

Certain pronouncements were issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee that apply in accounting years beginning on or after January 1, 2024. Certain pronouncements were issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee that are mandatory for accounting years beginning on or after January 1, 2024. They are not applicable or not expected to have a significant impact on the Corporation.

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

5) Taxes recoverable

As at December 31, 2023 and 2022, 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, goods and services tax, Québec sales tax 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.

6) Marketable securities

The Corporation holds shares and warrants in various public and private companies. During the year ended December 31, 2023, these shares and warrants were measured at fair value, and this resulted in an unrealized loss of \$312,000 (2022 – gain of \$1,434,000). The Corporation sold shares during the year ended which resulted in a realized gain of \$239,000 (2022 – loss of \$1,532,000).

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, 2023 and are therefore classified as level 1 within the fair value hierarchy.

The shares in the various private companies are classified as FVTPL and are recorded at fair value using the most recent private financing pricing and are therefore classified as level 2 within the fair value hierarchy.

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

The following table summarizes information regarding the Corporation's marketable securities as at December 31, 2023 and 2022:

<i>As at</i>	December 31, 2023	December 31, 2022
Balance, beginning of year	\$ 7,830	\$ 11,915
Additions	82	237
Disposals	(2,138)	(11,836)
Share consideration from disposition of exploration and evaluation assets (note 9(b))	1,200	7,612
Realized gain/(loss)	239	(1,532)
Unrealized (loss)/gain	(312)	1,434
Balance, end of year	\$ 6,901	\$ 7,830

7) Investment in associate

Moneta is a mineral resource exploration and development company focused on the exploration and development of gold projects in the Timmins Camp of Ontario, Canada. Moneta's head office is located in Canada and as at December 31, 2023 it was a public company listed on the Toronto Stock Exchange.

During the fourth quarter of 2023, the Corporation recorded an impairment of its investment in Moneta. The recoverable amount of the investment was measured as \$18,688,000 based on the closing price for Moneta's common shares on December 31, 2023. The impairment charge recorded in the consolidated statement of loss was \$32,174,000.

The equity accounting for Moneta is based on the results to September 30, 2023, adjusted for significant transactions between September 30, 2023 and December 31, 2023.

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

7) Investment in associate (continued)

The following table summarizes information regarding the Corporation's investment in its associate as at December 31, 2023 and 2022:

<i>As at</i>	December 31, 2023	December 31, 2022
Balance, beginning of year	\$ 50,896	\$ 50,387
Share of (loss)/gain for the year	(34)	509
Loss on impairment of investments	(32,174)	-
Balance, end of year	\$ 18,688	\$ 50,896

The following table is a summary of the consolidated financial information of Moneta on a 100% basis, taking into account fair value adjustments made by the Corporation for equity accounting purposes. A reconciliation of Moneta's summarized financial information to the Corporation's investment carrying value is as follows:

<i>As at</i>	December 31, 2023	December 31, 2022
Total current assets	\$ 19,272	\$ 16,101
Total non-current assets	241,676	204,255
Total current liabilities	(10,331)	(8,912)
Total non-current liabilities	(1,543)	(1,565)
Total net assets	\$ 249,074	\$ 209,879

<i>For the year ended December 31,</i>	2023	2022
Revenue	-	-
Net gain	\$ 25	\$ 1,766

<i>As at</i>	December 31, 2023	December 31, 2022
Net assets of Moneta	\$ 249,074	\$ 209,879
O3 Mining ownership interest	20.42%	24.25%
O3 Mining share of net asset	50,862	50,896
Loss on impairment of Moneta	(32,174)	-
Carrying value of investment in Moneta	18,688	50,896

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

8) Property, plant and equipment

The following table summarizes information regarding the Corporation's property, plant and equipment as at December 31, 2023 and 2022:

Class	December 31, 2023									
	Cost				Accumulated depreciation					
	Opening balance	Additions	Write-off / Disposals	Closing balance	Opening balance	Depreciation	Write-off / Disposals	Closing balance	Net book value	
Computer Equipment	\$ 238	\$ -	\$ -	\$ 238	\$ 120	\$ 36	\$ -	\$ 156	\$ 82	
Office Equipment	14	13	-	27	10	1	-	11	16	
Buildings	2,224	-	-	2,224	504	323	-	827	1,397	
Land	1,301	1,729	-	3,030	-	-	-	-	3,030	
Exploration Equipment	405	121	(176)	350	211	40	(137)	114	236	
Milling Plant	299	-	-	299	-	-	-	-	299	
Leasehold Improvements	831	-	-	831	159	87	-	246	585	
Automobiles	32	126	-	158	12	22	-	34	124	
Total	\$ 5,344	\$ 1,989	\$ (176)	\$ 7,157	\$ 1,016	\$ 509	\$ (137)	\$ 1,388	\$ 5,769	

Class	December 31, 2022									
	Cost				Accumulated depreciation					
	Opening balance	Additions	Write-off / Disposals	Closing balance	Opening balance	Depreciation	Write-off / Disposals	Closing balance	Net book value	
Computer Equipment	\$ 239	\$ 17	(18)	\$ 238	\$ 71	\$ 57	(8)	\$ 120	\$ 118	
Office Equipment	9	5	-	14	9	1	-	10	4	
Buildings	1,650	574	-	2,224	212	292	-	504	1,720	
Land	629	672	-	1,301	-	-	-	-	1,301	
Exploration Equipment	371	59	(25)	405	132	87	(8)	211	194	
Milling Plant	299	-	-	299	-	-	-	-	299	
Leasehold Improvements	831	-	-	831	72	87	-	159	672	
Automobiles	25	7	-	32	5	7	-	12	20	
Total	\$ 4,053	\$ 1,334	\$ (43)	\$ 5,344	\$ 501	\$ 531	\$ (16)	\$ 1,016	\$ 4,328	

a) Right-of-use assets

Right-of-use assets were measured at an amount equal to the associated lease liabilities (note 10) on initial recognition. Additions to right-of-use assets for the year ended December 31, 2023 were \$nil for office buildings (2022 - \$574,000) and \$nil for exploration equipment (2022 - \$nil).

Depreciation relating to right-of-use assets for the year ended December 31, 2023 were \$320,000 for office buildings (2022 - \$320,000) and \$nil for exploration equipment (2022 - \$59,000).

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, 2023 and 2022:

As at	December 31, 2023		December 31, 2022	
Office Buildings	\$	1,397	\$	1,720
Exploration Equipment		-		39
Total	\$	1,397	\$	1,759

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

9) Exploration and evaluation assets

The following table summarizes information regarding the Corporation's exploration and evaluation assets as at December 31, 2023 and 2022:

	December 31, 2022	Acquisitions	Additions	Disposals	Impairment losses	December 31, 2023
Kan - James Bay	\$ 248	\$ -	\$ 40	\$ -	\$ -	\$ 288
Éléonore Opinaca	1,026	-	115	(1,141)	-	-
Launay	1,013	-	612	-	-	1,625
Peacock	8	-	892	-	-	900
Matachewan - Wydee	260	-	663	-	-	923
Marban Alliance	111,192	-	11,973	-	-	123,165
Horizon	-	-	5,014	-	-	5,014
Alpha	68,283	-	1,397	-	-	69,680
Kinebik	-	2,252	101	-	-	2,353
Harricana	1,667	-	66	-	-	1,733
Total exploration and evaluation assets	\$ 183,697	\$ 2,252	\$ 20,873	\$ (1,141)	\$ -	\$ 205,681

	December 31, 2021	Acquisitions	Additions	Disposals	Impairment losses	December 31, 2022
Kan - James Bay	\$ 249	\$ -	\$ 7	\$ -	\$ -	\$ 256
FCI - Corvette Lithium	(120)	-	-	120	-	-
Éléonore Opinaca	1,014	-	12	-	-	1,026
Launay	1,011	-	2	-	-	1,013
Marban	86,082	1,486	23,624	-	-	111,192
Alpha	61,725	-	6,818	-	-	68,543
Harricana	1,649	-	18	-	-	1,667
East Cadillac	14,311	-	33	(6,451)	(7,893)	-
Total exploration and evaluation assets	\$ 165,921	\$ 1,486	\$ 30,514	\$ (6,331)	\$ (7,893)	\$ 183,697

Some of the Corporation's various gold mineral properties have claims which have historic royalties. Such royalties will only be payable if ore is produced from the applicable claims.

a) Acquisition of exploration and evaluation assets

On June 13, 2023, O3 Mining acquired a portion of the rights, titles, and interests in and to the Kinebik Property from NewOrigin Gold Corp ("NewOrigin") in exchange for: (i) cash consideration of \$50,000; and (ii) 29,467 common shares in the capital of the Corporation. On December 22, 2023, O3 Mining issued to NewOrigin an additional 58,935 common shares as consideration for the acquisition and acquire the remaining rights, titles, and interests in and to the Kinebik Property from NewOrigin. The transaction was recorded at the fair value of the consideration transferred of \$205,000.

On December 21, 2023, O3 Mining acquired 100% of the rights, titles, and interests in and to the Cameron Property from Globex Mining Enterprises Inc. ("Globex") in exchange for: (i) cash consideration of \$150,000; (ii) 1,185,897 common shares in the capital to the corporation; (iii) the retention by Globex of a 2.5% gross metals royalty on all metal production from certain claims constituting the Cameron Property; and (iv) the retention by Globex of a 1.0% gross metals royalty on all metal production from other claims constituting the Cameron Property. The transaction was recorded at the fair value of the consideration transferred of \$2,047,000. Following this acquisition, the Cameron properties were consolidated with the Kinebik properties.

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

9) Exploration and evaluation assets (continued)

a) Acquisition of exploration and evaluation assets (continued)

On May 3, 2022, O3 Mining acquired 100% of the rights, title and interests in the East-West Property from Emgold Mining Corporation ("Emgold") in exchange for: (i) cash consideration of \$750,000; (ii) 325,000 common shares in the capital of the Corporation; and (iii) the grant of a 1% net smelter returns royalty over the East-West Property in favour of Emgold, subject to certain buy-back rights in favour of O3 Mining. The transaction was recorded at the fair value of the consideration transferred of \$1,486,000.

b) Disposition of and impairment on exploration and evaluation assets

On October 19, 2023, the Corporation entered into a transfer agreement with Osisko Development Corp. and Electric Elements Mining Corp. ("Electric Elements"), pursuant to which, among other things, the Corporation transferred its Éléonore Opinaca Property in exchange for 2,400,000 common shares of Electric Elements. Consideration for the sale of the Éléonore Opinaca Property was measured at the fair value of the shares received (\$1,200,000). The book value of the Éléonore Opinaca Property was \$1,141,000, resulting in a gain on sale of exploration and evaluation assets of \$59,000.

On February 22, 2022, the Corporation completed a transaction with Patriot Battery Metals Inc. ("Patriot"), under which the Corporation disposed of the FCI – Corvette Lithium Property in exchange for: (i) 1,800,000 common shares of Patriot; and (ii) a one-time cash payment of \$3,000,000. Consideration for the sale of the FCI – Corvette Lithium Property was measured at fair value of \$4,126,000 (less transaction costs of \$8,000). The book value of the FCI – Corvette Lithium Property on the date of disposition was a recoverable amount of \$120,000, resulting in a gain on sale of exploration and evaluation assets of \$4,246,000.

On April 21, 2022, the Corporation completed a transaction with Cartier Resources Inc. ("Cartier"), in which it disposed of a 100% interest in its East Cadillac Project, through the sale of its wholly owned subsidiary, Chalice Gold Mines (Québec) Inc. ("CGMQ"), in exchange for 46,273,265 common shares of Cartier. The fair value of these shares as at April 21, 2022 was \$6,478,000. The net book value of the assets and associated liabilities of CGMQ as at April 21, 2022 and immediately before classifying these as held for sale was \$14,371,000. Due to this triggering event, the Corporation determined that the carrying amount of the exploration assets of the East Cadillac Project exceeded its recoverable amount and as a result recorded an impairment loss of \$7,893,000.

10) Leases

The following table summarizes information regarding the Corporation's lease liabilities as at December 31, 2023 and 2022:

<i>As at</i>	December 31, 2023	December 31, 2022
Balance, beginning of year	\$ 1,839	\$ 1,579
Additions	-	574
Accretion of interest	89	101
Payments	(385)	(415)
Disposal	(41)	-
Balance, end of year	\$ 1,502	\$ 1,839
Current	\$ 264	\$ 337
Non-current	1,238	1,502
Total lease liabilities	\$ 1,502	\$ 1,839

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

11) Restricted share unit and deferred share unit plans

Under the Corporation's RSU plan and DSU plan, 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 common 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 the closing price of the common shares on the day prior to the payout date. Should the payout be in common shares, each RSU and DSU represents an entitlement to one common share.

The following table summarizes information regarding the Corporation's outstanding and exercisable RSUs and DSUs as at December 31, 2023 and 2022:

	Number of DSUs	Number of RSUs
Outstanding at January 1, 2022	186,139	580,000
Granted	695,693	1,255,000
Vested	-	(350,000)
Forfeited	-	(40,000)
Outstanding at December 31, 2022	881,832	1,445,000
Granted	438,686	910,000
Vested	-	(150,000)
Outstanding at December 31, 2023	1,320,518	2,205,000

During the year ended December 31, 2023, 438,686 DSUs were issued to directors (2022 - 695,693), 108,686 of which were issued *in lieu* of directors' fees (2022 - 160,693). The weighted average fair value of the DSUs granted was \$1.59 per DSU initially at the closing price of the common shares of the Corporation on the date of grant (2022 - \$1.71). The DSUs vest immediately on the date of grant.

During the year ended December 31, 2023, 910,000 RSUs were issued to management (2022 - 1,255,000). The weighted average fair value of the RSUs granted was \$1.63 per RSU initially at the closing price of the common shares of the Corporation on the date of grant (2022 - \$1.65). The RSUs vest in full on the third anniversary date from the date of grant.

As at December 31, 2023 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 \$1.57.

The combined total recognized expense for RSUs and DSUs for the year ended December 31, 2023 was \$1,512,000 (2022 - \$1,302,000) from which \$222,000 were capitalized to exploration and evaluation assets (2022 - \$158,000).

12) Convertible debenture

On June 19, 2023, O3 Mining issued a senior unsecured convertible debenture in an aggregate principal amount of \$10,000,000 which will mature on June 19, 2028. The convertible debenture bears fixed interest at a rate of 10% per annum, payable semi-annually, half of which is payable in cash and half of which is payable, at the Corporation's option and subject to all necessary regulatory approvals, in either common shares of the Corporation or in cash.

The holder of the convertible debenture is entitled, at any time prior to the maturity date, to convert, in whole or in part, the outstanding principal amount due from time to time into common shares of the Corporation at a price equal to \$2.05 per common share, subject to customary anti-dilution adjustments.

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

12) Convertible debenture (continued)

O3 Mining will be required to offer to purchase from the holder the remaining outstanding principal amount of the convertible debenture if a change of control of the Corporation occurs or if the Corporation sells all or substantially all, or enters into a joint venture agreement, option agreement or similar arrangement with respect to the Corporation's Marban Alliance project. The convertible debenture is subject to customary events of default.

The convertible debenture was subject to an adjustment of conversion price clause, which expired on August 31, 2023. This clause could have resulted in a fixed amount of the stated principal not being converted into a fixed number of common shares of the Corporation. As a result of this, the conversion feature did not satisfy the 'fixed for fixed' criterion on initial recognition and was classified as an embedded derivative liability measured at fair value through profit or loss. On August 31, 2023, with the expiry of the conversion price clause, this feature was reassessed, and the embedded derivative liability was reclassified to equity as an accounting policy choice by management in accordance with the provisions in IFRS 9. This equity component of the convertible debenture will not be re-measured going forward.

The host of the convertible debenture is classified as a long-term liability measured at amortised cost.

The following table summarizes information regarding the Corporation's convertible debenture as at December 31, 2023:

<i>As at</i>	December 31, 2023	
Balance, beginning of year	\$	-
Issuance of convertible debenture		6,011
Accretion		245
Balance, end of year	\$	6,256

The total recognized interest expense on the convertible debenture for the year ended December 31, 2023, was \$776,000, \$250,000 of which was settled in cash, and \$245,000 amortized to its final settlement price.

As at December 31, 2023 the accrued interest payable included in current liabilities was \$281,000, of which \$250,000 was subsequently settled through the issuance of equity.

The following table summarizes the assumptions used for the valuation of the convertible debt components:

<i>As at</i>	August 31, 2023	
Time to maturity		5 years
Share price	\$	1.45
Volatility		51.00%
Risk-free interest rate (based on government bonds)		3.75%
Credit spread		14.95%

13) Income taxes

The following table outlines the composition of the deferred tax expense between income tax and mining tax for the period ended December 31, 2023 and 2022:

<i>For the years ended</i>	December 31, 2023	December 31, 2022
Deferred income tax (recovery)/expense	\$ (3,004)	\$ 2,668
Deferred mining taxes	2,126	2,943
Deferred tax (recovery)/expense	\$ (878)	\$ 5,611

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

13) Income taxes (continued)

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 years ended</i>	December 31, 2023	December 31, 2022
Loss before income taxes	\$ (34,859)	\$ (1,397)
Income tax recovery computed at Canadian statutory tax rate	(9,238)	(370)
Amortization of flow-through shares premium	(1,385)	(2,583)
Flow-through shares expenditures renounced	3,563	5,889
Loss on impairment of investments	4,263	-
Deferred mining taxes	1,563	2,943
Non-taxable gain on disposal of assets	(262)	(555)
Permanent items	317	287
Change in unrecognized deferred tax assets	301	-
Deferred tax (recovery)/expense	\$ (878)	\$ 5,611

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, 2023	December 31, 2022
Deferred tax assets		
Losses	\$ 18,340	\$ 13,170
Mining tax deductible for income tax purposes	3,494	2,868
Equity instrument costs	2,771	2,584
Investment tax credits	262	262
Other net deductible temporary differences	679	399
Total deferred tax assets	\$ 25,546	\$ 19,283
Deferred tax liability		
Exploration and evaluation assets	\$ (26,784)	\$ (19,696)
Convertible debenture	(918)	-
Investment in associate	-	(3,878)
Deferred mining tax liability	(13,185)	(10,824)
Total deferred tax liability	\$ (40,887)	\$ (34,398)
Net deferred tax liability	\$ (15,341)	\$ (15,115)

During the year ended December 31, 2023, the Corporation recognized a deferred tax expense in equity in the amount of \$1,057,000 (2022 - \$nil) in relation to the equity portion of the convertible debenture.

The company has unrecognized realized and unrealized capital losses in the amount of \$2,683,000 (2022 - \$414,000), which do not expire.

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

14) Capital and other components of equity

a) Share capital – authorized

	Number of Common Shares	Amount
Balance, January 1, 2022	68,160,439	\$ 204,682
Issuance of shares on acquisition of East-West Property	325,000	718
Private placement (net of transaction costs (\$1,388))	7,150,930	9,481
Shares repurchased under normal course issuer bid	(851,400)	(1,099)
Issuance of shares upon exercise of stock based instruments	50,000	61
Deferred tax asset on share issue cost	-	368
Balance December 31, 2022	74,834,969	\$ 214,211
Shares repurchased under normal course issuer bid	(210,100)	(335)
Private placement (net of transaction costs (\$704))	11,394,487	15,704
Issuance of shares on acquisition of Kinebik Property (note 9(a))	88,402	136
Issuance of shares on acquisition of Cameron Property (note 9(a))	1,185,897	1,897
Deferred tax asset on share issue cost (note 13)	-	187
Balance December 31, 2023	87,293,655	\$ 231,800

The authorized capital of O3 Mining consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. The holders of common shares of the Corporation are entitled to one vote per share at shareholder meetings of the Corporation. Subject to the rights, privileges, restrictions and conditions attached to the preferred shares, all holders of common shares shall be entitled to receive equally the residual assets of the Corporation. The preferred shares, if any, of each series rank on a parity with the preferred shares of every other series with respect to priority in the distribution of residual assets of the Corporation.

On December 12, 2023, O3 Mining closed a non-brokered private placement of 11,394,487 common shares of the Corporation for gross proceeds of \$18,560,000. The transaction costs amounted to \$704,000 and have been netted against the gross proceeds on closing. The private placement was completed in four tranches. The tranche one hard dollar shares were issued at a price of \$1.44 per common shares for gross proceeds of \$5,366,000. The tranche two flow-through shares were issued at a premium of \$0.19 to the market price of the Corporation's common shares at the day of issue. The premium was recognized as a long-term liability of \$1,100,000 with a subsequent pro-rata reduction of the liability recognized as flow-through premium income as the require expenditures are incurred. The tranche three flow-through shares were issued at a premium of \$0.36 to the market price of the Corporation's common shares at the day of issue. The premium was recognized as a long-term liability of \$452,000 with a subsequent pro-rata reduction of the liability recognized as flow-through premium income as the require expenditures are incurred. The tranche four flow-through shares were issued at a premium of \$0.96 to the market price of the Corporation's common shares at the day issue. The premium was recognized as a long-term liability of \$600,000 with a subsequent pro-rata reduction of the liability recognized as flow-through premium income as the require expenditures are incurred.

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

14) Capital and other components of equity (continued)

a) Share capital – authorized (continued)

On August 24, 2022, O3 Mining completed a private placement of 7,150,930 common shares of the Corporation at an average price of \$2.62 per common share issued as flow-through shares for gross proceeds of \$18,731,000. The transaction costs amounted to \$1,388,000 and have been netted against the gross proceeds on closing. The private placement was completed in two tranches. The tranche one flow-through shares were issued at a premium of \$1.39 to the market price of the Corporation's common shares at the day of issue. The premium was recognized as a long-term liability of \$5,124,000 with a subsequent pro-rata reduction of the liability recognized as flow-through premium income as the required expenditures are incurred. The tranche two flow-through shares were issued at a premium of \$0.79 to the market price of the Corporation's common shares at the day of issue. The premium was recognized as a long-term liability of \$2,736,000 with a subsequent pro-rata reduction of the liability recognized as flow-through premium income as the required expenditures are incurred.

During the year ended December 31, 2023, flow-through premium income of \$5,226,000 (2022 – \$9,747,000) was recognized relating to the flow-through shares issued.

During the year ended December 31, 2023, O3 Mining repurchased for cancellation 210,100 common shares of the Corporation (2022 – 851,400) at an average price of \$1.59 for a total cost of \$335,000 (2022 - \$1,099,000).

b) Basic loss per share

The calculation of basic loss and earnings per share for the year ended December 31, 2023 and 2022 was based on the loss or income attributable to common shareholders and a basic weighted average number of common shares outstanding, calculated as follows:

<i>For the year ended</i>	Year ended	
	December 31, 2023	December 31, 2022
Common shares outstanding, at beginning of the year	74,834,969	68,160,439
Common shares issued during the year	678,017	2,586,679
Shares repurchased under normal course issuer bid	(208,538)	-
Basic weighted average number of common shares	75,304,448	70,747,118
Basic loss for the year	\$ 34,111	\$ 7,008
Basic loss per share	\$ 0.45	\$ 0.10

c) Diluted loss and earnings per share

The Corporation incurred losses for the year ended December 31, 2023 and 2022, therefore all outstanding stock options, RSUs, DSUs and convertible debt impact have been excluded from the calculation of diluted loss per share since the effect would be anti-dilutive. They could potentially dilute basic earnings per share in the future.

d) Contributed surplus

Under the Corporation's incentive stock-option plan, the maximum number of shares reserved for issuance under all security-based compensation arrangement of the Corporation is 10% of the issued and outstanding common shares of the Corporation, reduced by the numbers of RSUs and DSUs outstanding. 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.

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

14) Capital and other components of equity (continued)

d) Contributed surplus (continued)

The following table summarizes the stock option transactions for the year ended December 31, 2023:

	Number of stock options	Weighted-average exercise price
Outstanding at January 1, 2022	4,650,876	\$ 2.91
Granted	920,000	1.96
Forfeited	(330,000)	2.87
Expired	(127,190)	3.37
Outstanding at December 31, 2022	5,113,686	\$ 2.73
Granted	30,000	1.60
Forfeited	(68,334)	2.53
Expired	(168,686)	2.77
Outstanding at December 31, 2023	4,906,666	\$ 2.73

During the year ended December 31, 2023, 30,000 stock options were issued to employees (2022 – 920,000). 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, 2023, was \$515,000 (2022 - \$1,225,000) from which \$129,000 were capitalized to exploration and evaluation assets (2022 - \$267,000).

The following table summarizes the weighted average assumptions used for the valuation of the stock options issued during the year ended December 31, 2023 and 2022:

<i>For the year ended</i>	December 31, 2023	December 31, 2022
Fair value at grant date	\$ 0.87	\$ 1.14
Forfeiture rate	4.5%	4.9%
Share price at grant date	\$ 1.60	\$ 1.96
Exercise price	\$ 1.60	\$ 1.96
Expected volatility	66%	81%
Dividend yield	0.0%	0.0%
Option life (weighted average life)	4.2 years	3.7 years
Risk-free interest rate (based on government bonds)	4.07%	1.44%

The following table summarizes information regarding the Corporation's outstanding and exercisable stock options as at December 31, 2023:

Range of exercise prices per share (\$)	Weighted-average remaining years of contractual life	Options outstanding		Options exercisable		
		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 (\$)
1.47 to 2.49	2.7	1,131,666	\$2.04	2.1	524,988	\$2.16
2.50 to 2.79	1.1	1,190,000	\$2.50	1.1	1,190,000	\$2.50
2.80 to 3.19	0.6	1,805,000	\$3.07	0.6	1,805,000	\$3.07
3.20 to 3.26	2.0	780,000	\$3.26	2.0	519,991	\$3.26
1.47 to 3.26	1.4	4,906,666	\$2.73	1.1	4,039,979	\$2.81

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

15) Expenses

The following table summarizes information regarding the Corporation's expenses for the year ended December 31, 2023 and 2022:

<i>For the year ended</i>	December 31, 2023	December 31, 2022
Compensation expenses		
Stock-based compensation (note 11 and note 14(d))	\$ 1,676	\$ 2,102
Salaries and benefits	2,815	2,294
Total compensation expenses	\$ 4,491	\$ 4,396
General and administration expenses		
Shareholder and regulatory expense	\$ 745	\$ 1,003
Travel expense	315	354
Professional fees	1,302	1,552
Office expense	660	529
Total general and administration expenses	\$ 3,022	\$ 3,438
Marketable securities		
Realized (gain)/loss from marketable securities (note 6)	\$ (239)	\$ 1,532
Unrealized loss/(gain) from marketable securities (note 6)	312	(1,434)
Total marketable securities loss	\$ 73	\$ 98

16) Related party transactions

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

During the year ended December 31, 2023, management fees, rent and administration fees of \$425,000 (2022 - \$662,000) were incurred with Osisko Mining Inc. ("Osisko Mining"), a related company of the Corporation by virtue of Osisko Mining having significant influence over the Corporation. Also, Mr. John Burzynski, Chairman of the Board of Directors of O3 Mining, 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, 2023 were \$25,000 (2022 - \$57,000). On December 12, 2023 Osisko Mining acquired 2,430,556 common shares of O3 Mining at a price of \$1.44 per share for gross proceeds of \$3,500,000. On July 22, 2022, O3 Mining announced that it has sold 6,492,200 common shares of Osisko Metals Incorporated to Osisko Mining for gross proceeds of \$2,045,000.

The following table summarizes remuneration attributable to key management personnel for the year ended December 31, 2023 and 2022:

<i>For the year ended</i>	Year ended December 31, 2023	December 31, 2022
Salaries expense of key management	\$ 1,536	\$ 1,333
Directors' fees	485	519
Stock-based compensation	1,353	925
Total	\$ 3,374	\$ 2,777

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

17) 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. The Corporation is not subject to externally imposed capital requirements.

As at December 31, 2023, the Corporation has cash, cash equivalents and marketable securities totaling \$30,354,000 (2022 - \$26,541,000) which were available for growing the Corporation.

18) 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, 2023 and 2022 the Corporation classified publicly traded shares of \$4,684,000 (2022 - \$7,725,000) included in marketable securities as Level 1, and shares held in private companies and warrants included in marketable securities of \$2,217,000 (2022 - \$105,000) as Level 2. Fair value of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, lease liabilities approximate their carrying values.

As at December 31, 2023 and 2022, there were no non-recurring financial assets or liabilities that were valued at fair value, apart from the investment in associate. It was measured at level 1, and valued at the prevailing market price on December 31, 2023.

There were no transfers between levels 1 and 2 and there were no changes in valuation techniques during 2023 or 2022.

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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

18) Financial instruments (continued)

Financial risk factors (continued)

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 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 cash and cash equivalents, and 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.

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, 2023, the Corporation had a cash balance of \$23,453,000 (2022 - 18,711,000) to settle current liabilities of \$5,245,000 (2022 - \$4,521,000). 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, 2023 (note 19).

c) Commodity price risk

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

d) Market risk

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation monitors its exposure to interest rate and has not entered into any derivative financial instruments to manage this risk. The Corporation has a cash balance and a fixed-rate interest-bearing debenture, which matures in 2028. If at the time the company chooses to renew the debenture it will be subject to the prevailing interest rates at the time. Since this refinancing risk is not determined, the company does not see this potential impact as material. 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, 2023, had increased or decreased by 0.25%, with all variables held constant, the earnings for the year ended December 31, 2023, would have been approximately \$59,000 higher or lower, as a result of higher or lower interest income from cash and cash equivalents. Similarly, as at December 31, 2023, shareholders' equity would have been approximately \$59,000 higher or lower because of higher or lower loss and comprehensive loss.

O3 Mining

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

19) Commitments

The Corporation has the following exploration commitments as at December 31, 2023:

	Total	2024	2025	2026
Equipment leases	\$ 144	\$ 80	\$ 44	\$ 20
Total	\$ 144	\$ 80	\$ 44	\$ 20

As at December 31, 2023, the Corporation has the following flow-through fund balance to be spent by December 31, 2024:

Closing date of financing	Remaining flow-through funds
December 12, 2023	\$ 12,793
Total	\$ 12,793