



---

**Condensed Interim Consolidated Financial Statements**  
**For the three and nine-month periods ended September 30, 2022 and 2021**  
**Presented in Canadian dollars**  
**(Unaudited)**

---

# O3 Mining

## Table of Contents

---

STATEMENTS OF FINANCIAL POSITION .....	3
STATEMENTS OF LOSS/(INCOME) AND COMPREHENSIVE LOSS/(INCOME) .....	4
STATEMENTS OF CHANGES IN EQUITY .....	5
STATEMENTS OF CASH FLOWS .....	6
NOTES TO FINANCIAL STATEMENTS	
1) Reporting entity .....	7
2) Basis of preparation .....	7
3) Marketable securities .....	8
4) Investment in associate .....	8
5) Property, plant and equipment .....	9
6) Exploration and evaluation assets .....	9
7) Restricted share unit plans and deferred share unit plans .....	10
8) Income taxes .....	11
9) Capital and other components of equity .....	12
10) Expenses .....	15
11) Related party transactions .....	15
12) Commitments .....	16

# O3 Mining

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

<i>As at</i>	September 30, 2022	December 31, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 26,041	\$ 27,218
Other receivables	400	539
Advances and prepaid expenses	184	343
Taxes recoverable	2,882	1,714
Marketable securities (note 3)	10,051	11,915
<b>Total current assets</b>	<b>39,558</b>	<b>41,729</b>
<b>Non-current assets</b>		
Investment in associate (note 4)	51,203	50,387
Property, plant and equipment (note 5)	4,411	3,552
Exploration and evaluation assets (note 6)	178,002	165,921
Long-term receivables	-	400
<b>Total non-current assets</b>	<b>233,616</b>	<b>220,260</b>
<b>Total assets</b>	<b>\$ 273,174</b>	<b>\$ 261,989</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 4,869	\$ 4,739
Current lease liabilities	348	238
<b>Total current liabilities</b>	<b>5,217</b>	<b>4,977</b>
<b>Non-current liabilities</b>		
Flow-through premium liability (note 9(a))	6,956	7,032
Share-based payment liability (note 7)	1,199	1,189
Non-current lease liabilities	1,578	1,341
Deferred tax liability (note 8)	14,541	9,872
<b>Total non-current liabilities</b>	<b>24,274</b>	<b>19,434</b>
<b>Total liabilities</b>	<b>29,491</b>	<b>24,411</b>
<b>Equity</b>		
Share capital (note 9(a))	214,580	204,682
Contributed surplus (note 9(d))	18,981	8,947
Warrants (note 9(e))	265	9,399
Retained earnings	9,857	14,550
<b>Total equity attributed to equity holders of the Corporation</b>	<b>243,683</b>	<b>237,578</b>
<b>Total liabilities and equity</b>	<b>\$ 273,174</b>	<b>\$ 261,989</b>

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

### Commitments (note 12)

# O3 Mining

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

<i>For the period ended</i>	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>Expenses/(income)</b>				
Compensation expenses (note 10)	\$ 438	\$ 859	\$ 2,740	\$ 3,113
General and administration expenses (note 10)	753	668	2,445	1,759
General exploration expenses	7	-	74	24
Loss on impairment of exploration and evaluation assets	-	-	7,893	-
Flow-through premium income (note 9(a))	(1,787)	(3,821)	(7,937)	(11,358)
Gain on disposition of disposal group held for sale	-	-	-	(25,936)
(Gain)/loss from marketable securities (note 3)	(399)	2,664	(608)	3,334
Gain on disposition of exploration and evaluation assets (note 6)	-	-	(4,246)	(272)
<b>Operating (income)/loss</b>	<b>(988)</b>	<b>370</b>	<b>361</b>	<b>(29,336)</b>
Finance income	(61)	(67)	(165)	(261)
Finance costs	203	25	306	78
<b>Net finance loss/(income)</b>	<b>142</b>	<b>(42)</b>	<b>141</b>	<b>(183)</b>
Share of loss/(gain) of associate (note 4)	272	144	(816)	189
<b>(Income)/loss before tax</b>	<b>(574)</b>	<b>472</b>	<b>(314)</b>	<b>(29,330)</b>
Deferred income tax expense (note 8)	940	1,119	5,007	3,193
<b>Loss/(income) and comprehensive loss/(income)</b>	<b>\$ 366</b>	<b>\$ 1,591</b>	<b>\$ 4,693</b>	<b>\$ (26,137)</b>
<b>Basic loss/(earnings) per share (note 9(b))</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>	<b>\$ 0.07</b>	<b>\$ (0.39)</b>
<b>Weighted average number of shares (note 9(b))</b>	<b>71,396,587</b>	<b>68,055,529</b>	<b>69,321,247</b>	<b>66,492,254</b>
<b>Diluted loss/(earnings) per share (note 9(c))</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>	<b>\$ 0.07</b>	<b>\$ (0.39)</b>
<b>Diluted weighted average number of shares (note 9(c))</b>	<b>71,396,587</b>	<b>68,055,529</b>	<b>69,321,247</b>	<b>66,575,993</b>

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

# O3 Mining

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

*Attributable equity to owners of the Corporation*

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Retained Earnings	Total
<b>Balance January 1, 2022</b>	<b>68,160,439</b>	<b>\$ 204,682</b>	<b>\$ 9,399</b>	<b>\$ 8,947</b>	<b>\$ 14,550</b>	<b>237,578</b>
Loss for the period	-	-	-	-	(4,693)	(4,693)
Stock-based compensation	-	-	-	900	-	900
Expiry of warrants	-	-	(9,134)	9,134	-	-
Issuance of shares on acquisition of East-West Property (note 6(a))	325,000	718	-	-	-	718
Private placement (net of transaction costs (\$1,275,000))	7,150,930	9,594	-	-	-	9,594
Shares repurchased under normal course issuer bid (note 9(a))	(619,100)	(752)	-	-	-	(752)
Deferred tax asset on share issue cost (note 8 and note 9(a))	-	338	-	-	-	338
<b>Balance September 30, 2022</b>	<b>75,017,269</b>	<b>\$ 214,580</b>	<b>\$ 265</b>	<b>\$ 18,981</b>	<b>\$ 9,857</b>	<b>243,683</b>

*Attributable equity to owners of the Corporation*

	Number of Shares	Share Capital	Warrants	Contributed Surplus	(Deficit and Accumulated Deficit)/Retained earnings	Total
<b>Balance January 1, 2021</b>	<b>60,330,966</b>	<b>\$ 184,150</b>	<b>\$ 9,628</b>	<b>\$ 6,816</b>	<b>\$ (5,859)</b>	<b>194,735</b>
Income for the period	-	-	-	-	26,137	26,137
Stock-based compensation	-	-	-	1,549	-	1,549
Expiry of warrants	-	-	(229)	229	-	-
Private placement (net of transaction costs (\$2,065,000))	7,709,300	18,056	-	-	-	18,056
Issuance of shares on acquisition of Denain-Pershing Property	21,603	50	-	-	-	50
<b>Balance September 30, 2021</b>	<b>68,061,869</b>	<b>\$ 202,256</b>	<b>\$ 9,399</b>	<b>\$ 8,594</b>	<b>\$ 20,278</b>	<b>240,527</b>

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

# O3 Mining

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

<i>For the period ended</i>	September 30, 2022	September 30, 2021
<b>Cash flows provided by/(used in) operating activities</b>		
(Loss)/income for the period	\$ (4,693)	\$ 26,137
Adjustments for:		
Stock-based compensation (note 7 and note 9(d))	1,183	1,481
Depreciation (note 5)	62	8
Flow-through premium income (note 9(a))	(7,937)	(11,358)
Gain on disposition of disposal group held for sale	-	(25,936)
Marketable securities (gain)/loss (note 3)	(608)	3,334
Gain on disposition of exploration and evaluation assets (note 6)	(4,246)	(272)
Loss on impairment of exploration and evaluation assets (note 6)	7,893	-
Interest income	(165)	(261)
Interest expense on lease liabilities	76	56
Share of (gain)/loss of associate (note 4)	(816)	189
Deferred income tax expense (note 8)	5,007	3,193
	<b>(4,244)</b>	<b>(3,429)</b>
Change in items of working capital:		
Change in other receivables	539	556
Change in advances and prepaid expenses	159	138
Change in taxes recoverable	(746)	(409)
Change in accounts payable and accrued liabilities	(298)	(186)
<b>Net cash used in operating activities</b>	<b>(4,590)</b>	<b>(3,330)</b>
<b>Cash flows provided by/(used in) investing activities</b>		
Interest received	165	261
Acquisition of marketable securities (note 3)	(162)	(2,815)
Proceeds on disposition of marketable securities (note 3)	10,246	6,995
Acquisition of property, plant and equipment (note 5)	(696)	(299)
Addition to exploration and evaluation assets (note 6)	(24,260)	(26,840)
Proceeds on disposition of exploration and evaluation assets (note 6)	2,992	298
Acquisition of exploration and evaluation assets (note 6)	(768)	(125)
Addition to asset held for sale	-	(137)
<b>Net cash used in investing activities</b>	<b>(12,483)</b>	<b>(22,662)</b>
<b>Cash flows (used in)/provided by financing activities</b>		
Repayment of lease liabilities	(303)	(240)
Vesting of restricted share units (note 7)	(504)	-
Net cash received from private placements (note 9(a))	17,455	32,935
Net cash used in repurchasing shares under normal course issuer bid (note 9(a))	(752)	-
<b>Net cash provided by financing activities</b>	<b>15,896</b>	<b>32,695</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>(1,177)</b>	<b>6,703</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>27,218</b>	<b>34,269</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 26,041</b>	<b>\$ 40,972</b>

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

# O3 Mining

---

## Notes to Condensed Interim Consolidated Financial Statements For the three and nine-month periods ended September 30, 2022 and 2021 (Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

---

### **1) Reporting entity**

O3 Mining Inc. ("**O3 Mining**" or the "**Corporation**") is a Canadian corporation domiciled in Canada. The Corporation was incorporated in British Columbia and continued to Ontario on June 28, 2019 under the Ontario Business Corporations Act. The address of the Corporation's registered office is 155 University Ave, Suite 1440, Toronto, Ontario, Canada. The consolidated financial statements of the Corporation at September 30, 2022 include the Corporation and its subsidiary, O3 Markets Inc. The Corporation is primarily in the business of acquiring, exploring, and developing precious mineral deposits in Canada.

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

### **2) Basis of preparation**

#### **a) Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements including IAS 34, Interim Financial Reporting and are presented in thousands of Canadian dollars.

These unaudited condensed interim consolidated financial statements do not include all of the disclosures required for annual financial statements and therefore should be read in conjunction with the Corporation's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2021.

These condensed interim consolidated financial statements were authorized for issuance by the Corporation's board of directors (the "Board of Directors") on November 8, 2022.

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

The significant accounting policies followed in these condensed interim consolidated financial statements are consistent with those applied in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2021.

#### **c) Changes in IFRS accounting policies and future accounting pronouncements**

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee that are mandatory for accounting years beginning on or after January 1, 2022. They are not applicable or do not have a significant impact to the Corporation.

# O3 Mining

## Notes to Condensed Interim Consolidated Financial Statements For the three and nine-month periods ended September 30, 2022 and 2021 (Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

### 2) Basis of preparation (continued)

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

The preparation of these condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgements and estimates made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2021.

### 3) Marketable securities

The Corporation holds shares and warrants in various public and private companies. During the three and nine-month periods ended September 30, 2022, these shares and warrants were fair valued, and this resulted in an unrealized loss of \$3,902,000 and \$4,006,000, respectively (2021 – \$2,540,000 and \$6,956,000). The Corporation sold shares during the three and nine-month periods ended September 30, 2022, which resulted in a realized gain of \$4,301,000 and \$4,614,000, respectively (2021 – loss of \$124,000 and a gain of \$3,622,000).

The shares in the various public companies are classified as FVTPL and are recorded at fair value using the quoted market price as at September 30, 2022 and are therefore classified as level 1 within the fair value hierarchy.

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

The following table summarizes information regarding the Corporation's marketable securities as at September 30, 2022:

As at	September 30, 2022
<b>Balance, beginning of period</b>	<b>\$ 11,915</b>
Additions	162
Disposals	(10,246)
Share consideration from disposition of exploration and evaluation assets (note 6(b))	7,612
Realized gain	4,614
Unrealized loss	(4,006)
<b>Balance, end of period</b>	<b>\$ 10,051</b>

### 4) Investment in associate

Moneta Gold Inc. ("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 it is a public company listed on the Toronto Stock Exchange. The trading price of Moneta's common shares on September 30, 2022 was \$1.58 per share which corresponds to a quoted market value of \$39,370,000 for the Corporation's investment in Moneta.



# O3 Mining

## Notes to Condensed Interim Consolidated Financial Statements For the three and nine-month periods ended September 30, 2022 and 2021 (Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

### 4) Investment in associate (continued)

The equity accounting for Moneta is based on the results to June 30, 2022, adjusted for significant transactions between June 30, 2022 and September 30, 2022.

The Corporation's investment relating to its associate as at September 30, 2022 is detailed as follows:

As at	September 30, 2022
Balance, beginning of period	\$ 50,387
Share of gain for the period	816
<b>Balance, end of period</b>	<b>\$ 51,203</b>

### 5) Property, plant and equipment

The following table summarizes information regarding the Corporation's property, plant and equipment as at September 30, 2022:

Class	September 30, 2022								Net book value
	Cost				Accumulated depreciation				
	Opening balance	Additions	Write-off / Disposals	Closing balance	Opening balance	Depreciation	Write-off / Disposals	Closing balance	
Computer Equipment	\$ 239	\$ 14	\$ (18)	\$ 235	\$ 71	\$ 38	\$ (8)	\$ 101	\$ 134
Office Equipment	9	5	-	14	9	-	-	9	5
Buildings	1,650	574	-	2,224	212	170	-	382	1,842
Land	629	672	-	1,301	-	-	-	-	1,301
Exploration Equipment	371	5	(25)	351	132	63	(8)	187	164
Milling Plant	299	-	-	299	-	-	-	-	299
Leasehold Improvements	831	-	-	831	72	109	-	181	650
Automobiles	25	-	-	25	5	4	-	9	16
<b>Total</b>	<b>\$ 4,053</b>	<b>\$ 1,270</b>	<b>\$ (43)</b>	<b>\$ 5,280</b>	<b>\$ 501</b>	<b>\$ 384</b>	<b>\$ (16)</b>	<b>\$ 869</b>	<b>\$ 4,411</b>

### 6) Exploration and evaluation assets

The following table summarizes information regarding the Corporation's exploration and evaluation assets as at September 30, 2022:

	December 31,					Impairment losses	September 30, 2022
	2021	Acquisitions	Additions	Disposals			
Kan - James Bay	\$ 249	\$ -	\$ 4	\$ -	\$ -	\$ -	\$ 253
FCI - Corvette Lithium	(120)	-	-	120	-	-	-
Éléonore Opinaca	1,014	-	2	-	-	-	1,016
Launay	1,011	-	2	-	-	-	1,013
Marban	86,082	1,486	18,291	-	-	-	105,859
Alpha	61,725	-	6,469	-	-	-	68,194
Harricana	1,649	-	18	-	-	-	1,667
East Cadillac	14,311	-	33	(6,451)	(7,893)	-	-
<b>Total exploration and evaluation assets</b>	<b>\$ 165,921</b>	<b>\$ 1,486</b>	<b>\$ 24,819</b>	<b>\$ (6,331)</b>	<b>\$ (7,893)</b>	<b>\$</b>	<b>\$ 178,002</b>

# O3 Mining

## Notes to Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2022 and 2021

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

### 6) Exploration and evaluation assets (continued)

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

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.

#### b) Disposition of and impairment on exploration and evaluation assets

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 C\$3,000,000. Consideration recorded for the claims was \$4,126,000 (less transaction costs of \$8,000). Book value of the properties 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 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 such recorded an impairment of \$7,893,000.

### 7) Restricted share unit and deferred share unit plans

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

The following table summarizes information regarding the Corporation's outstanding and exercisable RSUs and DSUs as at September 30, 2022:

	Number of DSUs	Number of RSUs
<b>Outstanding at December 31, 2021</b>	<b>186,139</b>	<b>580,000</b>
Granted	357,237	565,000
Vested	-	(300,000)
Forfeited	-	(40,000)
<b>Outstanding at September 30, 2022</b>	<b>543,376</b>	<b>805,000</b>

During the nine-month period ended September 30, 2022, 357,237 DSUs were issued to directors, 117,237 of which were issued in lieu of directors' fees. The weighted average fair value of the DSUs granted was \$1.93 per DSU initially at the closing price of the common shares of the Corporation on the date of grant. The DSUs vest immediately on the date of grant.

# O3 Mining

## Notes to Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2022 and 2021

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

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

During the nine-month period ended September 30, 2022, 565,000 RSUs were issued to management. The weighted average fair value of the RSUs granted was \$1.89 per RSU initially at the closing price of the common shares of the Corporation on the date of grant. The RSUs vest on the third anniversary date from the date of grant.

As at September 30, 2022 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 \$1.42.

The combined total recognized recovery and expense for RSUs and DSUs for the three and nine-month periods ended September 30, 2022 was \$291,000 and \$513,000, respectively (2021 – expense of \$23,000 and \$165,000) from which \$12,000 and \$47,000 respectively were recovered from and capitalized to exploration and evaluation assets (2021 - capitalized \$2,000 and \$13,000).

### 8) Income taxes

The following table outlines the composition of the deferred tax expense between income tax and mining tax for the period ended September 30, 2022:

	September 30, 2022	September 30, 2021
<i>For the period ended</i>		
Deferred income tax expense/(recovery)	\$ 2,614	\$ (1,070)
Deferred mining tax expense	2,393	4,263
<b>Total deferred income tax expense</b>	<b>\$ 5,007</b>	<b>\$ 3,193</b>

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

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

<i>As at</i>	September 30, 2022	December 31, 2021
<b>Deferred tax assets</b>		
Losses	\$ 11,831	\$ 11,989
Mining tax deductible for income tax purposes	2,723	2,088
Share issue costs	2,552	2,216
Investment tax credits	262	262
Other net deductible temporary differences	236	246
<b>Total deferred tax assets</b>	<b>\$ 17,604</b>	<b>\$ 16,801</b>
<b>Deferred tax liability</b>		
Exploration and evaluation assets	\$ (17,953)	\$ (14,029)
Investment in associate	(3,918)	(4,371)
Deferred mining tax liability	(10,274)	(7,881)
Other net taxable temporary differences	-	(392)
<b>Total deferred tax liability</b>	<b>\$ (32,145)</b>	<b>\$ (26,673)</b>
<b>Net deferred tax liability</b>	<b>\$ (14,541)</b>	<b>\$ (9,872)</b>

# O3 Mining

**Notes to Condensed Interim Consolidated Financial Statements**  
**For the three and nine-month periods ended September 30, 2022 and 2021**  
**(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)**

**9) Capital and other components of equity**

**a) Share capital – authorized**

	Number of Common Shares	Amount
<b>Balance December 31, 2021</b>	<b>68,160,439</b>	<b>\$ 204,682</b>
Issuance of shares on acquisition of East-West Property (note 6(a))	325,000	718
Private placement (net of transaction costs (\$1,275,000))	7,150,930	9,594
Shares repurchased under normal course issuer bid	(619,100)	(752)
Deferred tax asset on share issue cost (note 8)	-	338
<b>Balance September 30, 2022</b>	<b>75,017,269</b>	<b>\$ 214,580</b>

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

On 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 private placement was completed in two tranches. The tranche one flow-through shares were issued at a premium of \$1.39 to the current market price of the Corporation's common shares at the day of issue. The premium was recognized as a long-term liability of \$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 current 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. The transaction costs amounted to \$1,275,000 and have been netted against the gross proceeds on closing.

During the three and nine-month periods ended September 30, 2022, flow-through premium income of \$1,787,000 and \$7,937,000 respectively (2021 – \$3,821,000 and \$11,358,000) was recognized relating to the flow-through shares issued.

During the nine-month period ended September 30, 2022, O3 Mining repurchased and canceled 619,100 common shares of the Corporation at an average price of \$1.21 for a total cost of \$752,000.

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

The calculation of basic loss and earnings per share for the three and nine-month periods ended September 30, 2022 and 2021 was based on the loss or income attributable to common shareholders and a basic weighted average number of common shares outstanding, calculated as follows:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<i>For the period ended</i>				
Common shares outstanding, at beginning of the period	68,485,439	68,040,266	68,160,439	60,330,966
Common shares issued during the period	2,911,148	15,263	1,160,808	6,161,288
<b>Basic weighted average number of common shares</b>	<b>71,396,587</b>	<b>68,055,529</b>	<b>69,321,247</b>	<b>66,492,254</b>
<b>Loss/(income) for the period</b>	<b>\$ 366</b>	<b>\$ 1,591</b>	<b>\$ 4,693</b>	<b>\$ (26,137)</b>
<b>Basic loss/(earnings) per share</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>	<b>\$ 0.07</b>	<b>\$ (0.39)</b>

# O3 Mining

## Notes to Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2022 and 2021

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

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

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

The calculation of diluted earnings per share for the nine-month period ended September 30, 2021, was based on the income attributable to common shareholders and a basic weighted average number of common shares outstanding, adjusted for the effect of each stock option where the exercise price exceeds the average market price of ordinary shares during the periods and granted DSUs.

During the nine-month period ended September 30, 2021 the average market price of ordinary shares during the period did not exceed the exercise price of the vested warrants. As a result, no adjustment was made to the basic weighted average number of common shares outstanding for these instruments.

The Corporation incurred losses for the three and nine-month periods ended September 30, 2022 and 2021 and for the three-month period ended September 30, 2021, therefore all outstanding stock options, warrants, RSUs and DSUs have been excluded from the calculation of diluted loss per share since the effect would be anti-dilutive:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<i>For the period ended</i>				
Basic weighted average number of common shares	71,396,587	68,055,529	69,321,247	66,492,254
Effect of dilutive stock options	-	-	-	1,829
Effect of dilutive DSUs	-	-	-	81,910
<b>Diluted weighted average number of common shares</b>	<b>71,396,587</b>	<b>68,055,529</b>	<b>69,321,247</b>	<b>66,575,993</b>
<b>Loss/(income) for the period</b>	<b>\$ 366</b>	<b>\$ 1,591</b>	<b>\$ 4,693</b>	<b>\$ (26,137)</b>
<b>Diluted loss/(earnings) per share</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>	<b>\$ 0.07</b>	<b>\$ (0.39)</b>

#### d) Contributed surplus

On August 13, 2019, the Board of Directors issued an incentive stock-option plan to provide additional incentive to its directors, officers, employees, and consultants. The maximum number of shares reserved for issuance under the incentive stock option plan and all other security-based compensation arrangement of the Corporation is 10% of the issued and outstanding common shares of the Corporation, 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.

The following table summarizes the stock option transactions for the nine-month period ended September 30, 2022:

	Number of stock options	Weighted-average exercise price
<b>Outstanding at December 31, 2021</b>	<b>4,650,876</b>	<b>\$ 2.91</b>
Granted	880,000	1.98
Forfeited	(330,000)	2.87
Expired	(127,190)	3.37
<b>Outstanding at September 30, 2022</b>	<b>5,073,686</b>	<b>\$ 2.74</b>

During the nine-month period ended September 30, 2022, 880,000 stock options were issued to directors, management and employees for a period of 5 years. The options have been fair valued using the Black-Scholes option-pricing model.

The total recognized expense for stock options for the three and nine-month periods ended September 30, 2022 was \$312,000 and \$900,000, respectively (2021 - \$463,000 and \$1,549,000) from which \$79,000 and \$183,000 respectively were capitalized to exploration and evaluation assets (2021 - \$77,000 and \$219,000).

# O3 Mining

**Notes to Condensed Interim Consolidated Financial Statements**  
**For the three and nine-month periods ended September 30, 2022 and 2021**  
**(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)**

**9) Capital and other components of equity (continued)**

**d) Contributed surplus (continued)**

The following table summarizes the weighted average assumptions used for the valuation of the stock options issued during the nine-month period ended September 30, 2022:

<i>For the period ended</i>	<b>September 30, 2022</b>
Fair value at grant date	\$ 1.15
Forfeiture rate	4.9%
Share price at grant date	\$ 1.98
Exercise price	\$ 1.98
Expected volatility	82%
Dividend yield	0.0%
Option life (weighted average life)	3.7 years
Risk-free interest rate (based on government bonds)	1.36%

The following table summarizes information regarding the Corporation's outstanding and exercisable stock options as at September 30, 2022:

Range of exercise prices per share (\$)	Options outstanding			Options exercisable		
	Weighted-average remaining years of contractual life	Number of stock options outstanding	Weighted average exercise price (\$)	Weighted-average remaining years of contractual life	Number of stock options exercisable	Weighted average exercise price (\$)
1.98 to 2.49	3.8	1,085,000	\$2.08	2.1	149,998	\$2.44
2.50 to 2.79	2.2	1,378,686	\$2.53	2.1	975,342	\$2.55
2.80 to 3.19	1.9	1,830,000	\$3.07	1.9	1,830,000	\$3.07
3.20 to 3.26	3.3	780,000	\$3.26	3.3	259,994	\$3.26
<b>1.98 to 3.26</b>	<b>2.6</b>	<b>5,073,686</b>	<b>\$2.74</b>	<b>2.1</b>	<b>3,215,334</b>	<b>\$2.90</b>

**e) Warrants**

The following table summarizes the transactions pertaining to the Corporation's outstanding standard warrants for the nine-month period ended September 30, 2022. These warrants are exercisable at one warrant for one common share of the Corporation:

	Number of warrants	Weighted-average exercise price
<b>Outstanding at December 31, 2021</b>	<b>11,832,447</b>	<b>\$ 3.78</b>
Expired	(11,397,447)	3.76
<b>Outstanding at September 30, 2022</b>	<b>435,000</b>	<b>\$ 4.20</b>

# O3 Mining

## Notes to Condensed Interim Consolidated Financial Statements For the three and nine-month periods ended September 30, 2022 and 2021 (Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)

### 10) Expenses

The following table summarizes information regarding the Corporation's expenses for the three and nine-month periods ended September 30, 2022 and 2021:

For the period ended	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>Compensation expenses</b>				
Stock-based compensation (note 7 and note 9(d))	\$ (44)	\$ 407	\$ 1,183	\$ 1,481
Salaries and benefits	482	452	1,557	1,632
<b>Total compensation expenses</b>	<b>\$ 438</b>	<b>\$ 859</b>	<b>\$ 2,740</b>	<b>\$ 3,113</b>
<b>General and administration expenses</b>				
Shareholder and regulatory expense	\$ 130	\$ 268	\$ 731	\$ 559
Travel expense	107	26	257	33
Professional fees	373	260	1,041	817
Office expense	143	114	416	350
<b>Total general and administration expenses</b>	<b>\$ 753</b>	<b>\$ 668</b>	<b>\$ 2,445</b>	<b>\$ 1,759</b>
<b>Marketable securities</b>				
Realized (gain)/loss from marketable securities (note 3)	\$ (4,301)	\$ 124	\$ (4,614)	\$ (3,622)
Unrealized loss from marketable securities (note 3)	3,902	2,540	4,006	6,956
<b>Total marketable securities (gain)/loss</b>	<b>\$ (399)</b>	<b>\$ 2,664</b>	<b>\$ (608)</b>	<b>\$ 3,334</b>

### 11) Related party transactions

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

During the three and nine-month periods ended September 30, 2022, management fees, geological services, rent and administration fees of \$166,000 and \$508,000 (2021 - \$161,000 and \$504,000) 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 September 30, 2022 were \$53,000 (2021 - \$57,000).

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 \$2,045,043

The following table summarizes remuneration attributable to key management personnel for the three and nine-month periods ended September 30, 2022 and 2021:

For the period ended	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Salaries expense of key management	\$ 172	\$ 156	\$ 491	\$ 469
Directors' fees	129	134	397	386
Stock-based compensation	95	224	712	808
<b>Total</b>	<b>\$ 396</b>	<b>\$ 514</b>	<b>\$ 1,600</b>	<b>\$ 1,663</b>

# O3 Mining

## Notes to Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2022 and 2021

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

### 12) Commitments

The Corporation has the following exploration commitments as at September 30, 2022:

	Total	2022	2023	2024	2025
Equipment leases	\$ 222	\$ 39	\$ 137	\$ 38	\$ 8
<b>Total</b>	<b>\$ 222</b>	<b>\$ 39</b>	<b>\$ 137</b>	<b>\$ 38</b>	<b>\$ 8</b>

As at September 30, 2022, the Corporation has the following flow-through funds to be spent by December 31, 2023:

Closing date of financing	Province	Remaining flow-through funds
August 24, 2022	Québec	\$ 16,836
<b>Total</b>		<b>\$ 16,836</b>