Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

Presented in Canadian dollars

March 10, 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

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

Independent auditor's report

To the Shareholders of O3 Mining Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of O3 Mining Inc. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Other information

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

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

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 judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 10, 2022

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

As at	December 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 27,218	$ 34,269
Other receivables	539	812
Advances and prepaid expenses	343	432
Taxes recoverable (note 6)	1,714	1,238
Marketable securities (note 7)	11,915	19,036
Assets of disposal group held for sale (note 8)	-	24,850
Total current assets	**41,729**	**80,637**
Non-current assets		
Investment in associate (note 9)	50,387	-
Property, plant and equipment (note 10)	3,552	2,376
Exploration and evaluation assets (note 11)	165,921	127,390
Long-term receivables	400	650
Total non-current assets	**220,260**	**130,416**
Total assets	**$ 261,989**	**$ 211,053**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 4,739	$ 3,251
Current lease liabilities (note 12)	238	181
Liabilities of disposal group held for sale (note 8)	-	1,289
Total current liabilities	**4,977**	**4,721**
Non-current liabilities		
Flow-through premium liability (note 16(a))	7,032	6,128
Share-based payment liability (note 13)	1,189	801
Non-current lease liabilities (note 12)	1,341	893
Deferred tax liability (note 15)	9,872	3,775
Total non-current liabilities	**19,434**	**11,597**
Total liabilities	**24,411**	**16,318**
Equity		
Share capital (note 16(a))	204,682	184,150
Contributed surplus (note 16(d))	8,947	6,816
Warrants (note 16(e))	9,399	9,628
Retained earnings/(deficit)	14,550	(5,859)
Total equity attributed to equity holders of the Corporation	**237,578**	**194,735**
Total liabilities and equity	**$ 261,989**	**$ 211,053**

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

Commitments (note 21)
Subsequent events (note 22)

On behalf of the Board:

(Signed) "Keith McKay" — Keith McKay, Director

(Signed) "John Burzynski" — John Burzynski, Chairman

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

For the year ended	December 31, 2021	December 31, 2020
Expenses/(income)		
Compensation expenses (note 17)	$ 4,416	$ 5,018
General and administration expenses (note 17)	2,880	2,659
General exploration expenses	33	24
Loss on impairment of exploration and evaluation assets	-	831
Flow-through premium income (note 16(a))	(13,976)	(5,209)
Gain on disposition of disposal group held for sale (note 8)	(25,936)	-
Loss/(gain) from marketable securities (note 7)	3,756	(7,534)
Gain on disposition of exploration and evaluation assets (note 11)	(272)	(1,715)
Other income	(94)	(16)
Operating income	**(29,193)**	**(5,942)**
Finance income	(336)	(283)
Finance costs	101	61
Net finance income	**(235)**	**(222)**
Share of loss of associate (note 9)	445	-
Income before tax	**(28,983)**	**(6,164)**
Deferred income tax expense (note 15)	8,574	2,951
Income and comprehensive income	**$ (20,409)**	**$ (3,213)**
Basic earnings per share (note 16(b))	**$ (0.31)**	**$ (0.06)**
Weighted average number of shares (note 16(b))	**66,912,728**	**54,119,179**
Diluted earnings per share (note 16(c))	**$ (0.30)**	**$ (0.06)**
Diluted weighted average number of shares (note 16(c))	**67,031,146**	**54,143,135**

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		Warrants		Contributed Surplus		Retained Earnings		Total
Balance January 1, 2021	**60,330,966**	**$**	**184,150**	**$**	**9,628**	**$**	**6,816**	**$**	**(5,859)**	**$**	**194,735**
Income for the period	-		-		-		-		20,409		**20,409**
Stock-based compensation	-		-		-		1,902		-		**1,902**
Expiry of warrants	-		-		(229)		229		-		**-**
Private placement (net of transaction costs ($2,065,000)) (note 16(a))	7,709,300		18,056		-		-		-		**18,056**
Issuance of shares on earn-in of Denain-Pershing Property (note 5 and 11)	21,603		50		-		-		-		**50**
Issuance of shares on earn-in of Centremaque Property (note 5 and 11)	98,570		210		-		-		-		**210**
Deferred tax asset on share issue cost (note 15)	-		2,216		-		-		-		**2,216**
Balance December 31, 2021	**68,160,439**	**$**	**204,682**	**$**	**9,399**	**$**	**8,947**	**$**	**14,550**	**$**	**237,578**

Attributable equity to owners of the Corporation

	Number of Shares		Share Capital		Warrants		Contributed Surplus		Deficit and Accumulated Deficit		Total
Balance January 1, 2020	**46,927,215**	**$**	**158,325**	**$**	**5,911**	**$**	**4,483**	**$**	**(9,072)**	**$**	**159,647**
Income for the period	-		-		-		-		3,213		**3,213**
Stock-based compensation	-		-		-		2,364		-		**2,364**
Issuance of shares upon exercise of warrants	100		1		(1)		-		-		**-**
Issuance of shares upon exercise of options	34,458		127		-		(31)				**96**
Issuance of shares on acquisition of Regcourt Property	113,637		128		-		-		-		**128**
Issuance of shares on acquisition of Louvem Property	4,546		5		-		-		-		**5**
Private placement (net of transaction costs ($2,097,000))	13,251,010		25,564		3,718		-		-		**29,282**
Balance December 31, 2020	**60,330,966**	**$**	**184,150**	**$**	**9,628**	**$**	**6,816**	**$**	**(5,859)**	**$**	**194,735**

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)

For the year ended	December 31, 2021	December 31, 2020
Cash flows provided by/(used in) operating activities		
Income for the year	$ 20,409	$ 3,213
Adjustments for:		
Stock-based compensation (note 17)	2,000	2,930
Depreciation (note 10)	9	11
Accretion on asset retirement obligation	-	2
Flow-through premium income (note 16(a))	(13,976)	(5,209)
Gain on disposition of disposal group held for sale (note 8)	(25,936)	-
Marketable securities loss/(gain) (note 7)	3,756	(7,534)
Gain on disposition of exploration and evaluation assets (note 11)	(272)	(1,715)
Loss on impairment of exploration and evaluation assets (note 11)	-	831
Interest income	(336)	(283)
Interest expense on lease liabilities (note 12)	78	35
Share of loss of associate (note 9)	445	-
Deferred income tax expense (note 15)	8,574	2,951
	(5,249)	**(4,768)**
Change in items of working capital:		
Change in other receivables	273	72
Change in advances and prepaid expenses	89	(219)
Change in taxes recoverable	(433)	2,003
Change in accounts payable and accrued liabilities	(768)	(1,060)
Net cash used in operating activities	**(6,088)**	**(3,972)**
Cash flows provided by/(used in) investing activities		
Interest received	336	283
Cash received from reclamation deposit	-	250
Acquisition of marketable securities (note 7)	(3,184)	(5,276)
Proceeds on disposition of marketable securities (note 7)	6,995	6,092
Acquisition of property, plant and equipment (note 10)	(813)	(1,351)
Addition to exploration and evaluation assets (note 11)	(36,945)	(15,944)
Proceeds on/(cash used in) disposition of exploration and evaluation assets (note 11)	300	(57)
Net cash and cash equivalents used in asset acquisitions (note 5)	(125)	(223)
Addition to asset held for sale	(137)	-
Net cash used in investing activities	**(33,573)**	**(16,226)**
Cash flows (used in)/provided by financing activities		
Repayment of lease liabilities	(325)	(169)
Cash received from exercise of stock options (note 16(d))	-	96
Net cash received from private placements (note 16(a))	32,935	37,838
Net cash provided by financing activities	**32,610**	**37,765**
(Decrease)/Increase in cash and cash equivalents	**(7,051)**	**17,567**
Cash and cash equivalents, beginning of year	**34,269**	**16,702**
Cash and cash equivalents, end of year	**$ 27,218**	**$ 34,269**

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

1) Reporting entity

O3 Mining Inc. ("**O3 Mining**" or the "**Corporation**") is a Canadian corporation domiciled in Canada. The Corporation was incorporated in British Columbia and continued to Ontario on June 28, 2019 under the Ontario Business Corporations Act. The address of the Corporation's registered office is 155 University Ave, Suite 1440, Toronto, Ontario, Canada. The consolidated financial statements of the Corporation at December 31, 2021 include the Corporation and its subsidiaries, Niogold Mining Corporation ("Niogold"), O3 Markets Inc., Chalice Gold Mines (Québec) Inc.("CGMQ"), Alexandria Minerals Corporation ("Alexandria"), 9401-3513 Québec Inc. and Murgor Resources Inc ("Murgor"). Subsequent to the year ended December 31, 2021, O3 Mining amalgamated Niogold, Alexandria, 9401-3513 Québec Inc. and Murgor. The Corporation is primarily in the business of acquiring, exploring, and developing precious mineral deposits in Canada.

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

2) Basis of preparation

a) Statement of compliance

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

These consolidated financial statements were authorized for issuance by the Corporation's board of directors (the "Board of Directors") on March 10, 2022.

b) Functional and presentation currency

These financial statements are presented in Canadian dollars (tables in thousands of Canadian dollars), which is O3 Mining's functional currency.

c) Use of critical estimates and judgements

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

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

The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future year if the revision affects both current and future year.

2) Basis of preparation (continued)

c) Use of critical estimates and judgements (continued)

i) Significant judgments in applying accounting policies

The areas that require management to make significant judgments in applying the Corporation's accounting policies in determining carrying values include:

Novel coronavirus ("COVID-19"):

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

The Department of Finance passed legislation, applicable to the June 19, 2020 private placement, to extend the flow-through funds spend period and the look-back rule by one year, including suspension of Part XII.6 tax for the same period.

Determination of significant influence over equity investments:

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

On February 24, 2021, as part of the sale of its wholly owned subsidiary, Northern Gold Mining Inc. ("Northern Gold"), the Corporation acquired 149,507,273 pre-consolidation common shares of Moneta Gold Inc. (formerly Moneta Porcupine Mines Inc.) ("Moneta"), representing approximately 27% of the number of issued and outstanding common shares of Moneta on this date (note 8 and 9).

On August 24, 2021, Moneta completed a consolidation of its issued and outstanding common shares at a ratio of six pre-consolidation common shares to one post-consolidation common share. As at December 31, 2021, O3 Mining held 24,917,879 post-consolidation common shares of Moneta, continuing to represent approximately 27% of the issued and outstanding post-consolidation common shares of Moneta on this date.

Management determined it can exert significant influence over Moneta, and as a result, accounts for this investment as an associate using the equity method.

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.

2) Basis of preparation (continued)

c) Use of critical estimates and judgements (continued)

ii) Significant accounting estimates and assumptions

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

Impairment of non-financial assets:

The Corporation assesses its cash-generating units at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is the higher of the fair value less costs of disposal and value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and future operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties.

Fair value of stock options and warrants:

Determining the fair value of stock options and warrants involves estimates of interest rates, expected life of options and warrants, expected forfeiture rate, share price volatility and the application of the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires the input of highly subjective assumptions that can materially affect the fair value estimate. Stock options granted vest in accordance with the stock option plan. The valuation of stock-based compensation is subjective and can impact profit and loss significantly.

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

- **Risk-free interest rate:** The Corporation uses the interest rate available for government securities of an equivalent expected term as at the date of the grant of the stock options and warrants. The risk-free interest rate will vary depending on the date of the grant of the stock options and warrants and their expected term.
- **Expected life:** The Corporation uses historical lifespan information of similar stock-based compensation instruments granted by the Corporation to determine expected life.
- **Forfeiture rate:** The Corporation has applied a forfeiture rate in arriving at the fair value of stock-based compensation to be recognized, reflecting historical experience. Historical experience may not be representative of actual forfeiture rates incurred.
- **Volatility:** The Corporation uses historical information on the market price of peer companies to determine the degree of volatility at the date when the stock options are granted. Therefore, depending on when the stock options and warrants were granted and the year of historical information examined, the degree of volatility can be different when calculating the value of different stock options and warrants.

3) Significant accounting policies

The accounting policies set out below are in accordance with IFRS and have been applied consistently to the consolidated financial statements for the years ended December 31, 2021 and 2020.

a) Basis of consolidation

The consolidated financial statements of O3 Mining consolidate the results of the Group. A subsidiary is an entity controlled by the Corporation.

Control exists when an investor is exposed or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which the Corporation obtains control and are de-consolidated from the date that control ceases to exist. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

b) Foreign currency

Foreign currency transactions are translated into the functional currency of the Corporation's entities using the exchange rates prevailing at the dates of the transactions or an appropriate average exchange rate. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the Corporation's functional currency are recognized in the statement of loss.

c) Financial instruments

Financial instruments are recognized on the consolidated statements of financial position on the trade date, the date on which the Corporation becomes a party to the contractual provisions of the financial instrument. The Corporation classifies its financial instruments in the categories below.

Financial Assets at Amortized Cost – Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Corporation's other receivables and reclamation deposit consist of fixed or determined cash flows related solely to principal and interest amounts. The Corporation's intent is to hold these financial assets until the related cash flows are collected. Other receivables and reclamation deposit are recognized initially at fair value, net of any transaction costs incurred, and subsequently measured at amortized cost, using the effective interest method. The Corporation recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost.

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

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.

3) Significant accounting policies (continued)

c) Financial instruments (continued)

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

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

i) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting year-end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. The criteria that the Corporation uses to determine if there is objective evidence of an impairment loss includes:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

At each statement of financial position date, on a forward-looking basis, the Corporation assesses the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

d) Exploration and evaluation assets

Exploration and evaluation costs, including the cost of acquiring licenses, are capitalized as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and the commercial viability of the project.

Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a license is relinquished or a project is abandoned, the related costs are recognized in profit and loss immediately. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognized in the statement of loss.

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.

3) Significant accounting policies (continued)

d) Exploration and evaluation assets (continued)

Exploration and evaluation assets are assessed for impairment if (i) the year for which the entity has the right to explore in the specific area has expired during the year or will expire in the near future, (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned, (iii) sufficient data exists to determine technical feasibility and commercial viability, and (iv) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment of non-financial assets).

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. Upon determination of proven reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible assets. Expenditures deemed to be unsuccessful are recognized in profit or loss immediately.

e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss during the year in which they are incurred.

The major categories of property, plant and equipment are depreciated as follows:

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

The Corporation allocates the amount initially recognized in respect of an item of property, plant and equipment to its material significant parts and depreciates each separately. Residual values, method of depreciation and useful lives of the asset are reviewed annually and adjusted if appropriate.

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

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying value of the asset and are included as part of other gains and losses in the statement of loss.

f) Leases and right-of-use assets

The Corporation leases various offices and equipment. Lease agreements are typically made for fixed periods of two to six years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

3) Significant accounting policies (continued)

f) Leases and right-of-use assets (continued)

Leases are recognized as a right-of-use asset, which is presented as PPE in the consolidated statements of financial position, and a corresponding liability at the date at which the leased asset is available for use by the Corporation.

Each lease payment is allocated between the lease liabilities and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liabilities for each period. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If ownership of the leased asset transfers to the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of certain information technology equipment and office furniture.

g) Impairment of non-financial assets

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

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

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

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.

3) Significant accounting policies (continued)

g) 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.

h) Assets held for sale

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

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

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

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

i) 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 income and its share of other comprehensive income or loss is included in other comprehensive income.

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 income.

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 income.

j) 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.

3) Significant accounting policies (continued)

j) Current and deferred income tax (continued)

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.

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.

k) 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.

l) 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.

m) 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.

3) Significant accounting policies (continued)

n) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors under Canadian income tax legislation. On issuance, the Corporation separates the flow-through share into i) a flow-through share premium, equal to the difference between the current market price of the Corporation's common shares and the issue price of the flow through share and ii) share capital. Upon expenses being incurred, the Corporation recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares must be expended on Canadian resource property exploration within a period of two years. The Department of Finance passed legislation, applicable to the June 19, 2020 private placement, which extends the flow-through funds spend period and the look-back rule by one year. (note 21).

o) Stock based compensation

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

i) Share option plan

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

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

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

ii) RSU plan

Each RSU represents an entitlement to one common share of the Corporation, upon vesting. RSUs provide the option of being settled in cash. The fair value of RSUs granted is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in share-based payment liability. The liability is re-measured to fair value at each reporting date and upon redemption, at the Corporation's closing share price, with any changes in the fair value recognized in profit or loss. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of RSUs that are expected to vest based on an estimate of the forfeiture rate. Upon redemption of the RSU, the liability is transferred to share capital.

iii) DSU plan

Each DSU represents an entitlement to one common share of the Corporation and vests immediately on the date of grant. DSUs provide the option of being settled in cash. The fair value of DSUs granted is recognized as an expense on the date of grant with a corresponding increase in share-based payment liability. The liability is re-measured to fair value at each reporting date and upon redemption, at the Corporation's closing share price, with any changes in the fair value recognized in profit or loss. Upon redemption of the DSU, the liability is transferred to share capital.

3) Significant accounting policies (continued)

p) Related party transactions

A related party is a person or entity that is related to the Corporation; that has control or joint control over the Corporation; that has significant influence over the Corporation; or is a member of the key management personnel of the Corporation.

An entity is related to a Corporation if the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

A related party transaction is a transfer of resources, services or obligations between a Corporation, and a related party, regardless of whether a price is charged. All transactions with related parties are in the normal course of business and are measured at fair value.

q) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The Corporation performs evaluations each reporting year to identify potential obligations.

r) Asset retirement obligation

An asset retirement obligation is recognized for the expected costs of reclamation at mineral properties where the Corporation is legally or contractually responsible for such costs. Asset retirement obligations arise from the Corporation's obligation to undertake site reclamation and remediation in connection with the exploration of mineral properties. The Corporation recognizes the estimated reclamation costs when environmental disturbance occurs but only when a reasonable estimate can be made.

The asset retirement obligation recognized is estimated on the risk adjusted costs required to settle present obligations, discounted using a pre-tax risk-free discount rate consistent with the expected timing of expected cash flows. Changes in the estimated undiscounted cash flows and risk-free discount rate used in calculating the present value of the asset retirement obligation are offset to the reclamation cost asset previously recognized for the specific property. Actual reclamation expenditures incurred reduce the carrying value of the reclamation provision.

s) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss. Finance costs comprise interest expense on borrowing, changes in the fair value of financial assets at FVTPL, impairment losses recognized on financial assets.

4) Changes in IFRS accounting policies and future accounting pronouncements

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

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

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

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

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

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

5) Asset acquisitions

The following tables summarize the asset acquisitions during the year ended December 31, 2021 and 2020:

December 31, 2021

Consideration paid	**Denain-Pershing Property**	**Centremaque Property**	**Total**
Share consideration	$ 50	$ 210	**$ 260**
Cash consideration	125	-	**125**
	$ 175	**$ 210**	**$ 385**

Net assets acquired	**Denain-Pershing Property**	**Centremaque Property**	**Total**
Exploration and evaluation assets	$ 175	$ 210	**$ 385**
Total net assets acquired	**$ 175**	**$ 210**	**$ 385**

December 31, 2020

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

Net assets acquired	**Regcourt Property**	**Louvem Property**	**Northern Star Claims**	**Total**
Exploration and evaluation assets	$ 141	$ 15	$ 200	**$ 356**
Total net assets acquired	**$ 141**	**$ 15**	**$ 200**	**$ 356**

5) Asset acquisitions (continued)

a) Acquisition of Denain-Pershing Property

On July 28, 2021, O3 Mining announced that it has fulfilled the conditions of the option agreement with Renforth Resources Inc. ("Renforth") on the Denain-Pershing Property to earn in 80% ownership interest in the property. The Corporation acquired the remaining 20% of the Denain-Pershing Property from Renforth in exchange for $125,000 cash and 21,603 common shares of O3 Mining, and now holds a 100% interest in the property.

The acquisition has been accounted for as an acquisition of assets as the Denain-Pershing Property does not meet the definition of a business under IFRS 3. The transaction was recorded at the fair value of the consideration transferred of $175,000.

b) Acquisition of Centremaque Property

On October 1, 2021, O3 Mining announced that it has fulfilled the conditions of the option agreement with Golden Valley Mines and Royalties Ltd. ("Golden Valley") on the Centremaque Property to earn in 80% ownership interest in the property. The Corporation acquired 80% of the Centremaque Property from Golden Valley by incurring the required eligible expenditures in terms of an option agreement with Golden Valley and in exchange for 98,570 common shares of O3 Mining.

The acquisition has been accounted for as an acquisition of assets as the Centremaque Property Property does not meet the definition of a business under IFRS 3. The transaction was recorded at the fair value of the consideration transferred of $210,000.

c) Acquisition of Regcourt Property

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

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

d) Acquisition of Louvem Property

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

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

e) Acquisition of Northern Star claims

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

The acquisition has been accounted for as an acquisition of assets as the claims do not meet the definition of a business under IFRS 3. The transaction was recorded at the fair value of the consideration transferred of $200,000 as detailed in the table above.

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

6) Taxes recoverable

As at December 31, 2021 and 2020, taxes recoverable consists of sales tax recoverable and refundable tax credits for mining exploration and evaluation expenditures. Sales tax recoverable consist of harmonized sales taxes ("HST"), goods and services tax ("GST"), Québec sales tax ("QST") and income tax receivable from Canadian taxation authorities. The refundable tax credits relate to eligible exploration and evaluation expenditures incurred in the Province of Québec.

7) Marketable securities

The Corporation holds shares and warrants in various public and private companies. During the year ended December 31, 2021, these shares and warrants were fair valued, and this resulted in an unrealized loss of $7,378,000 (2020 – gain of $4,532,000). The Corporation sold shares during the year ended which resulted in a realized gain of $3,622,000 (2020 – $3,002,000).

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, 2021 and are therefore classified as level 1 within the fair value hierarchy.

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

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

As at		**December 31, 2021**		**December 31, 2020**
Balance, beginning of year	**$**	**19,036**	**$**	**10,172**
Additions		3,184		5,276
Disposals		(6,995)		(6,092)
Share consideration from disposition of exploration and evaluation assets (note 11)		446		2,146
Realized gain		3,622		3,002
Unrealized (loss)/gain		(7,378)		4,532
Balance, end of year	**$**	**11,915**	**$**	**19,036**

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

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

On February 24, 2021, the Corporation announced that it has closed a definitive share purchase agreement with Moneta, in which it has sold its wholly owned subsidiary, Northern Gold, in exchange for 149,507,273 pre-consolidation common shares of Moneta (note 5).

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

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

9) *Investment in associate*

On February 24, 2021, as part of the sale of its wholly owned subsidiary Northern Gold (note 8), the Corporation acquired 149,507,273 pre-consolidation common shares of Moneta, representing approximately 27% of the number of issued and outstanding common shares of Moneta on this date. The Corporation recorded an investment in associate at its fair value of $50,832,000 based on the quoted market price of $0.34 per common share of Moneta on this date.

On August 24, 2021, Moneta completed a consolidation of its issued and outstanding common shares at a ratio of six pre-consolidation common shares to one post-consolidation common share. As at December 31, 2021, O3 Mining held 24,917,879 post-consolidation common shares of Moneta, continuing to represent approximately 27% of the issued and outstanding post-consolidation common shares of Moneta on this date.

The trading price of Moneta's post-consolidation common shares on December 31, 2021 was $2.05 per share which corresponds to a quoted market value of $51,082,000 for the Corporation's investment in Moneta.

The equity accounting for Moneta is based on the results to September 30, 2021, adjusted for significant transaction between September 30, 2021 and December 31, 2021.

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:

As at		**December 31, 2021**
Total current assets	**$**	**15,742**
Total non-current assets		**179,907**
Total current liabilities		**(5,246)**
Total non-current liabilities		**(1,351)**
Total net assets	**$**	**189,052**

For the year ended December 31,		**2021**
Revenue	**$**	**-**
Net gain	**$**	**1,920**

Reconciliation of Moneta's net assets to the Corporation's investment carrying value:

As at		**December 31, 2021**
Net assets of Moneta	**$**	**189,052**
O3 Mining ownership interest		**26.65%**
O3 Mining share of net asset		**50,387**
Carrying value of investment in Moneta		**50,387**

The following table summarizes information regarding the Corporation's investment in its associates as of December 31, 2021 and 2020:

As at		**December 31, 2021**
Balance, beginning of year	**$**	**-**
Investment in associate		50,832
Share of loss for the period		(445)
Balance, end of period	**$**	**50,387**

Notes to Consolidated Financial Statements
For the year ended December 31, 2021 and 2020
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10) Property, plant and equipment

The following table summarizes information regarding the Corporation's property, plant and equipment as at December 31, 2021 and 2020:

December 31, 2021	Cost					Accumulated depreciation					
Class	Opening balance	Additions	Write-off / Disposals	Transfer to assets classified as held for sale (note 8)	Closing balance	Opening balance	Depreciation	Write-off / Disposals	Transfer to assets classified as held for sale (note 8)	Closing balance	Net book value
Computer Equipment	$ 137	$ 102	$ -	$ -	$ 239	$ 25	$ 46	$ -	$ -	$ 71	$ 168
Office Equipment	9	-	-	-	9	3	6	-	-	9	-
Buildings	1,122	1,157	-	-	2,279	45	167	-	-	212	2,067
Exploration Equipment	365	6	-	-	371	39	93	-	-	132	239
Milling Plant	299	-	-	-	299	-	-	-	-	-	299
Leasehold Improvements	556	275	-	-	831	-	72	-	-	72	759
Automobiles	-	25	-	-	25	-	5	-	-	5	20
Total	**$ 2,488**	**$ 1,565**	**$ -**	**$ -**	**$ 4,053**	**$ 112**	**$ 389**	**$ -**	**$ -**	**$ 501**	**$ 3,552**

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

a) Right-of-use assets

Right-of-use assets were measured at an amount equal to the associated lease liabilities (note 12) on initial recognition. Additions to right-of-use assets for the year ended December 31, 2021 were $752,000 for office buildings (2020 - $898,000) and $nil for exploration equipment (2020 - $176,000).

Depreciation relating to right-of-use assets for the year ended December 31, 2021 were $167,000 for office buildings (2020 - $67,000) and $59,000 for exploration equipment (2020 - $20,000).

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, 2021 and 2020:

As at	December 31, 2021	December 31, 2020
Office Buildings	$ 1,438	$ 853
Exploration Equipment	98	156
Total	**$ 1,536**	**$ 1,009**

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11) Exploration and evaluation assets

The following table summarizes information regarding the Corporation's exploration and evaluation assets as at December 31, 2021 and 2020:

	December 31, 2020	Acquisitions	Additions	Deferred income tax asset on investment tax credits (note 15)	Disposals	Transfer to assets classified as held for sale	Impairment losses	December 31, 2021
Kan - James Bay	$ 236	$ -	$ 13	$ -	$ -	$ -	$ -	$ 249
FCI - Corvette Lithium	(62)	-	(58)	-	-	-	-	(120)
Éléonore Opinaca	1,013	-	1	-	-	-	-	1,014
Launay	1,003	-	8	-	-	-	-	1,011
Marban	65,207	-	21,043	(167)	(1)	-	-	86,082
Alpha	44,859	210	16,751	-	-	-	-	61,820
Harricana	1,649	-	-	-	-	-	-	1,649
East Cadillac	13,485	175	872	(95)	(221)	-	-	14,216
Total exploration and evaluation assets	**$ 127,390**	**$ 385**	**$ 38,630**	**$ (262)**	**$ (222)**	**$ -**	**$ -**	**$ 165,921**

	December 31, 2019	Acquisitions (note 5)	Additions	Deferred income tax asset on investment tax credits (note 18)	Disposals	Transfer to assets classified as held for sale (note 8)	Impairment losses	December 31, 2020
Kan - James Bay	$ 233	$ -	$ 3	$ -	$ -	$ -	$ -	$ 236
Éléonore – James Bay	212	-	8	-	-	-	(220)	-
Éléonore JV – James Bay	200	-	39	-	-	-	(239)	-
Other – James Bay	270	-	102	-	-	-	(372)	-
FCI - Corvette Lithium	(35)	-	(27)	-	-	-	-	(62)
Éléonore Opinaca	1,013	-	-	-	-	-	-	1,013
Tortigny	793	-	126	-	(919)	-	-	-
Launay	1,000	-	3	-	-	-	-	1,003
Marban	61,625	200	3,382	-	-	-	-	65,207
Garrison Block	23,628	-	963	-	-	(24,591)	-	-
Hemlo	255	-	-	-	(255)	-	-	-
Alpha	35,822	15	9,022	-	-	-	-	44,859
Harricana	1,649	-	-	-	-	-	-	1,649
East Cadillac	10,025	141	3,319	-	-	-	-	13,485
Total exploration and evaluation assets	**$ 136,690**	**$ 356**	**$ 16,940**	**$ -**	**$ (1,174)**	**$ (24,591)**	**$ (831)**	**$ 127,390**

a) Kan – James Bay

The Kan Project is 100% owned by the Corporation and is located within the Labrador Trough, approximately 80 kilometres southwest of Kuujuuaq, Québec. The Kan Project is subject to NSR royalties varying from 1.5% to 3.5%.

b) FCI – Corvette Lithium

The FCI – Corvette Lithium Project is 100% owned by the Corporation and is located within the James Bay Greenstone Belt in Northern Québec. The FCI – Corvette Lithium Project is subject to NSR royalties varying from 1.5% to 3.5%.

c) Élénore Opinaca

The Élénore Opinaca Property is 100% owned by the Corporation and is located approximately 320 kilometres north of the town of Matagami in the James Bay area, Northern Québec. The Élénore Opinaca Property is subject to a 0.5% NSR royalty.

11) Exploration and evaluation assets (continued)

d) Launay

The Launay Property is 100% owned by the Corporation and is located in the Abitibi Greenstone Belt, Québec. The Launay Property is subject to a 1.5% NSR royalty.

e) Marban

The Marban Project is 100% owned by the Corporation and is the result of an amalgamation of the former Marban, First Canadian, Norlartic and Gold Hawk claims. The Marban Project is located about 15 kilometres west of the town of Val-d'Or in the Abitibi-Témiscamingue region of Québec. The Marban Project is subject to NSR royalties varying from 2% to 3%, most of them allowing buy-back for half of the royalty.

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

f) Alpha

The Alpha Property is located 8 kilometres east of Val-d'Or and 3 kilometres south of the Eldorado South Lamaque Mine. The Alpha Property is subject to NSR royalties varying from 1% to 2%.

On October 1, 2021, O3 Mining announced that it has fulfilled the conditions of the option agreement with Golden Valley on the Centremaque Property to earn in 80% ownership interest in the property. The Corporation acquired 80% of the Centremaque Property from Golden Valley by incurring the required eligible expenditures in terms of an option agreement with Golden Valley and in exchange for 98,570 common shares of O3 Mining. The transaction was recorded at the fair value of the consideration transferred of $210,000.

g) Harricana

The Harricana Property is 100% owned by the Corporation and is located 9 kilometres northeast of the town of Val-d'Or, on the eastern shore of the Blouin Lake, and hosts the Aurbel Deposit.

h) East Cadillac

The East Cadillac Property consists of two earn-in agreements in addition to the ground wholly owned by O3 Mining and is located more than 35 kilometres east of the town of Val-d'Or.

On July 28, 2021, O3 Mining announced that it has fulfilled the conditions of the option agreement with Renforth on the Denain-Pershing Property to earn in 80% ownership interest in the property. The Corporation acquired the remaining 20% of the Denain-Pershing Property from Renforth in exchange for $125,000 cash and 21,603 common shares of O3 Mining, and now holds a 100% interest in the property. The transaction was recorded at the fair value of the consideration transferred of $175,000.

On April 14, 2021, the Corporation completed a transaction with NewOrigin Gold Corp. (formerly Tri Origin Exploration Ltd.) ("NewOrigin"), under which the Corporation disposed of the Kinebik Gold Project in exchange for 2,700,000 common shares of NewOrigin. Consideration for the project was fair valued at $399,000 (less transaction costs of $47,000). Book value of the project on the date of disposition was $221,000, resulting in a gain on sale of exploration and evaluation assets of $178,000.

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

12) Leases

The following table summarizes information regarding the Corporation's lease liabilities as at December 31, 2021 and 2020:

As at		December 31, 2021		December 31, 2020
Balance, beginning of year	$	1,074	$	181
Additions		752		1,074
Accretion of interest		78		35
Payments		(325)		(169)
Disposal		-		(47)
Balance, end of year	**$**	**1,579**	**$**	**1,074**
Current	$	238	$	181
Non-current		1,341		893
Total lease liabilities	**$**	**1,579**	**$**	**1,074**

13) Restricted share unit and deferred share unit plans

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

The following table summarizes information regarding the Corporation's outstanding and exercisable RSUs and DSUs as at December 31, 2021 and 2020:

	Number of DSUs	Number of RSUs
Outstanding at January 1, 2020	**-**	**390,000.00**
Granted	51,440	150,000
Forfeited	-	(50,000)
Oustanding at December 31, 2020	**51,440**	**490,000**
Granted	134,699	90,000
Oustanding at December 31, 2021	**186,139**	**580,000**

During the year ended December 31, 2021, 134,699 DSUs were issued to directors in lieu of directors' fees (2020 – 51,440). The weighted average fair value of the DSUs granted was $2.17 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.

During the year ended December 31, 2021, 90,000 RSUs were issued to management (2020 – 150,000). The weighted average fair value of the RSUs granted was $2.98 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 (2020 - $2.46).

As at December 31, 2021 the share-based payment liability related to each RSU and DSU was re-measured to fair value at the Corporation's closing share price of $2.05.

The combined total recognized expense for RSUs and DSUs for the year ended December 31, 2021 was $388,000 (2020 – $658,000) from which $28,000 was capitalized to exploration and evaluation assets (2020 - $15,000).

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

14) Asset retirement obligation

The following table summarizes the Corporation's asset retirement obligation as at December 31, 2021 and 2020:

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

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

For the year ended December 31,		**2020**
Total undiscounted value of payments	$	608
Weighted average discount rate		0.39%
Weighted average expected life		4 years
Inflation rate		2.00%

15) Income taxes

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

For the years ended		December 31, 2021		December 31, 2020
Deferred income tax expense	**$**	**3,400**	$	562
Deferred mining taxes		**5,174**		2,389
Deferred tax expense	**$**	**8,574**	**$**	**2,951**

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

For the years ended		December 31, 2021		December 31, 2020
Income before income taxes	**$**	**28,983**	**$**	**6,164**
Income tax expense computed at Canadian statutory tax rate		7,680		1,633
Amortization of flow-through shares premium		(3,704)		(1,359)
Flow-through shares expenditures renounced		8,689		3,639
Non-taxable gain on disposal of Northern Gold		(6,872)		-
Unrealized taxable gain on investment in associate		4,371		-
Permanent items		978		2,514
Change in unrecognized deferred tax assets		(7,742)		(5,845)
Deferred mining taxes		5,174		2,369
Deferred tax expense	**$**	**8,574**	**$**	**2,951**

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

15) Income taxes (continued)

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:

As at		December 31, 2021		December 31, 2020
Deferred tax assets				
Losses	$	11,989	$	963
Mining tax deductible for income tax purposes		2,088		127
Share issue costs		2,216		-
Investment tax credits		262		-
Other net deductible temporary differences		246		-
Total deferred tax assets	**$**	**16,801**	**$**	**1,090**
Deferred tax liability				
Exploration and evaluation assets	$	(14,029)	$	(833)
Investment in associate		(4,371)		-
Deferred mining tax liability		(7,881)		(2,706)
Other net taxable temporary differences		(392)		(1,326)
Total deferred tax liability	**$**	**(26,673)**	**$**	**(4,865)**
Net deferred tax liability	**$**	**(9,872)**	**$**	**(3,775)**

During 2021, the Corporation recognized a deferred tax recovery in Equity in the amount of $2,216,000 (2020 - $nil) in relation to share issuance costs.

As at December 31, 2021, the deferred tax asset recognized with respect to investment tax credits is $262,000 (2020 - $nil). The deferred tax recovery associated with the deferred tax recorded in relation to investment tax credits is recorded as a reduction of exploration and evaluation assets.

16) Capital and other components of equity

a) Share capital – authorized

	Number of Common Shares		Amount
Balance, January 1, 2020	**46,927,215**	**$**	**158,325**
Issuance of shares upon exercise of warrants	100		1
Issuance of shares upon exercise of options	34,458		127
Issuance of shares on acquisition of Regcourt Property (note 5 and 11)	113,637		128
Issuance of shares on acquisition of Louvem Property (note 5 and 11)	4,546		5
Private placement (net of transaction costs ($2,373,000))	13,251,010		25,564
Balance December 31, 2020	**60,330,966**	**$**	**184,150**
Private placement (net of transaction costs ($2,065,000))	7,709,300		18,056
Issuance of shares on earn-in of Denain-Pershing Property	21,603		50
Issuance of shares on earn-in of Centremaque Property	98,570		210
Deferred tax asset on share issue cost (note 15)	-		2,216
Balance December 31, 2021	**68,160,439**		**204,682**

16) Capital and other components of equity (continued)

a) Share capital – authorized (continued)

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 March 16, 2020, the Corporation acquired the Regcourt property. In consideration for the acquisition of the Regcourt property, the Corporation issued an aggregate of 113,637 common shares of the Corporation at $1.13 per share for total share consideration of $128,000 (note 5(a)).

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

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

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

On February 25, 2021, O3 Mining completed a private placement of 7,709,300 flow-through units of the Corporation at a price of $4.54 per flow-through unit for gross proceeds of $35 million. The flow-through shares were issued at a premium of $1.93 to the current market price of the Corporation's common shares at the day of issue. The premium was recognized as a long-term liability of $14,879,000 with a subsequent pro-rata reduction of the liability recognized as flow-through premium income as the required expenditures are incurred. The transaction costs amounted to $2,065,000 and have been netted against the gross proceeds on closing.

On July 28, 2021, O3 Mining announced that it had fulfilled the conditions of the option agreement with Renforth Resources Inc. ("Renforth") on the Denain-Pershing Property to earn in 80% ownership interest in the property. The Corporation acquired the remaining 20% of the Denain-Pershing Property from Renforth in exchange for $125,000 cash and 21,603 common shares of O3 Mining, and now holds a 100% interest in the property (note 11).

On October 1, 2021, O3 Mining announced that it had fulfilled the conditions of the option agreement with Golden Valley Mines and Royalties Ltd. ("Golden Valley") on the Centremaque Property to earn in 80% ownership interest in the property. The Corporation acquired the 20% of the Centremaque Property from Golden Valley by incurring the required eligible expenditures in terms of an option agreement with Golden Valley and in exchange for 98,570 common shares of O3 Mining (note 11).

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

16) Capital and other components of equity (continued)

a) Share capital – authorized (continued)

During the year ended December 31, 2021, flow-through premium income of $13,976,000 was recognized relating to the flow-through shares issued (2020 – $5,209,000).

On September 28, 2021, O3 Mining announced implementation of a normal course issuer bid program to purchase for cancellation, from time to time over a 12-month period, common shares of the Corporation listed on the Toronto Stock Exchange in an aggregate amount of up to 10% of the "public float" of the Corporation, being approximately 4,482,072 common shares at the time.

b) Basic earnings per share

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

For the year ended	December 31, 2021	December 31, 2020
Common shares outstanding, at beginning of the year	60,330,966	46,927,215
Common shares issued during the year	6,581,762	7,191,964
Basic weighted average number of common shares	**66,912,728**	**54,119,179**
Income for the period	**$ (20,409)**	**$ (3,213)**
Basic earnings per share	**$ (0.31)**	**$ (0.06)**

c) Diluted earnings and loss per share

The calculation of diluted earnings per share for the year ended December 31, 2021 and 2020, was based on the income attributable to common shareholders and a basic weighted average number of common shares outstanding, adjusted for the effect of each stock option where the exercise price exceeds the average market price of ordinary shares during the periods and vested DSUs.

During the year ended December 31, 2021 and 2020 there were no vested RSUs and the average market price of ordinary shares during the year 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.

For the year ended	December 31, 2021	December 31, 2020
Basic weighted average number of common shares	66,912,728	54,119,179
Effect of dilutive stock options	-	918
Effect of dilutive DSUs	118,418	23,038
Diluted weighted average number of common shares	**67,031,146**	**54,143,135**
Income for the period	**$ (20,409)**	**$ (3,213)**
Diluted earnings per share	**$ (0.30)**	**$ (0.06)**

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

16) Capital and other components of equity (continued)

d) Contributed surplus

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 year ended December 31, 2021 and 2020:

	Number of stock options		Weighted-average exercise price
Outstanding at January 1, 2020	**2,847,499**	**$**	**3.01**
Granted	1,370,000		2.50
Exercised	(34,458)		2.77
Forfeited	(228,333)		3.02
Expired	(37,165)		3.04
Outstanding at December 31, 2020	**3,917,543**	**$**	**2.83**
Granted	890,000		3.26
Forfeited	(156,667)		2.97
Outstanding at December 31, 2021	**4,650,876**	**$**	**2.91**

During the year ended December 31, 2021, 890,000 stock options (2020 - 1,370,000) were issued to directors, management and employees for a period of 5 years. The options have been fair valued using the Black-Scholes option-pricing model.

The total recognized expense for stock options for the year ended December 31, 2021 was $1,902,000 (2020 - $2,364,000) from which $264,000 was capitalized to exploration and evaluation assets (2020 - $77,000).

The following table summarizes the weighted average assumptions used for the valuation of the stock options issued during the year ended December 31, 2021 and 2020:

For the year ended		December 31, 2021		December 31, 2020
Fair value at grant date	$	1.81	$	1.40
Forfeiture rate		6.1%		3.9%
Share price at grant date	$	3.26	$	2.50
Exercise price	$	3.26	$	2.50
Expected volatility		84%		77%
Dividend yield		0.0%		0.0%
Option life (weighted average life)		3.3 years		3.8 years
Risk-free interest rate (based on government bonds)		0.26%		1.41%

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

16) Capital and other components of equity (continued)

d) Contributed surplus (continued)

The following table summarizes information regarding the Corporation's outstanding and exercisable stock options as at December 31, 2021:

	Options outstanding			Options exercisable		
Range of exercise prices per share ($)	**Weighted-average remaining years of contractual Life**	**Number of stock options outstanding**	**Weighted average exercise price ($)**	**Weighted-average remaining years of contractual life**	**Number of stock options exercisable**	**Weighted average exercise price ($)**
2.44 to 2.92	2.9	1,693,686	$2.52	2.7	752,004	$2.55
2.93 to 3.20	2.6	2,005,000	$3.07	2.6	2,005,000	$3.07
3.21 to 3.47	3.5	934,149	$3.27	0.0	109,149	$3.33
3.48 to 3.60	0.2	18,041	$3.60	0.2	18,041	$3.60
2.44 to 3.60	**2.9**	**4,650,876**	**$2.91**	**2.5**	**2,884,194**	**$2.95**

e) Warrants

The following table summarizes the transactions pertaining to the Corporation's outstanding standard warrants for the year ended December 31, 2021 and 2020. These warrants are exercisable at one warrant for one common share of the Corporation:

	Number of warrants		Weighted-average exercise price
Outstanding at January 1, 2020	**5,445,644**	**$**	**4.41**
Issuance of warrants on private placement	6,625,505		3.25
Expired	(100)		4.46
Outstanding at December 31, 2020	**12,071,049**	**$**	**3.78**
Expired	(238,602)		3.88
Outstanding at December 31, 2021	**11,832,447**	**$**	**3.77**

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

For the year ended		**December 31, 2020**
Fair value at grant date	$	0.56
Forfeiture rate		0.0%
Share price at grant date	$	2.18
Exercise price	$	3.25
Expected volatility		98%
Dividend yield		0.0%
Warrant life (weighted average life)		1 year
Risk-free interest rate (based on government bonds)		0.30%

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

17) Expenses

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

For the year ended		December 31, 2021		December 31, 2020
Compensation expenses				
Stock-based compensation (note 13 and note 16(d))	$	2,000	$	2,930
Salaries and benefits		2,416		2,088
Total compensation expenses	**$**	**4,416**	**$**	**5,018**
General and administration expenses				
Shareholder and regulatory expense	$	944	$	570
Travel expense		113		90
Professional fees		1,324		1,583
Office expense		499		416
Total general and administration expenses	**$**	**2,880**	**$**	**2,659**
Marketable securities				
Realized gain from marketable securities (note 7)	$	(3,622)	$	(3,002)
Unrealized loss/(gain) from marketable securities (note 7)		7,378		(4,532)
Total marketable securities loss/(gain)	**$**	**3,756**	**$**	**(7,534)**

18) Related party transactions

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

During the year ended December 31, 2021, management fees, geological services, rent and administration fees of $831,000 (2020 - $1.0 million) were incurred with Osisko Mining, a related company of the Corporation by virtue of Osisko Mining having significant influence over the Corporation. Also, Mr. John Burzynski, Chairman of the Board of Directors of O3 Mining, serves as Executive Chairman, CEO, and Director of Osisko Mining, Mr. José Vizquerra, President and CEO of O3 Mining, serves as a Director of Osisko Mining and Mr. Blair Zaritsky, CFO of O3 Mining, serves as CFO of Osisko Mining. Accounts payable and accrued liabilities to Osisko Mining as at December 31, 2021 were $216,000 (2020 - $262,000).

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

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

For the year ended		December 31, 2021		December 31, 2020
Salaries expense of key management	$	1,094	$	1,187
Directors' fees		520		480
Stock-based compensation		1,068		1,597
Total	**$**	**2,682**	**$**	**3,264**

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

19) Capital risk factors

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

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

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

As at December 31, 2021, the Corporation has cash, cash equivalents and marketable securities totaling $39,133,000 (December 31, 2020 - $$53,305,000) which were available for growing the Corporation.

20) Financial instruments

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

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

As at December 31, 2021 and 2020 the Corporation classified cash and cash equivalents and publicly traded securities included in marketable securities as Level 1, and warrants included in marketable securities, other receivables and reclamation deposit as Level 2.

	December 31, 2021			**December 31, 2020**		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 27,218	$ -	$ -	$ 34,269	$ -	$ -
Marketable securities	11,511	404	-	17,982	1,054	-
Other receivables	-	539	-	-	812	-

As at December 31, 2021 and 2020, there were no non-recurring financial assets or liabilities that were valued at fair value.

There were no transfers between levels 1 and 2 and there were no changes in valuation techniques during 2021.

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.

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

b) Liquidity risk

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

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, 2021, the Corporation had a cash balance of $27,218,000 (2020 - $34,269,000) to settle current liabilities of $4,977,000 (2020 - $4,721,000). 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, 2021 (note 21).

c) Commodity price risk

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

d) Market risk

i) Interest rate risk

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

If market interest rates for the year ended December 31, 2021, had increased or decreased by 0.1%, with all variables held constant, the earnings for the year ended December 31, 2021, would have been approximately $27,000 lower/higher, as a result of higher/lower interest income from cash and cash equivalents. Similarly, as at December 31, 2021, shareholders' equity would have been approximately $1,000 lower/higher because of higher/lower interest income from cash and cash equivalents due to a 0.1% increase/decrease in interest rates.

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

21) Commitments

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

	Total	2022	2023	2024	2025	2026	2027
Equipment leases	**294**	147	120	27	-	-	-
Total	**$ 294**	**$ 147**	**$ 120**	**$ 27**	**$ -**	**$ -**	**$ -**

The Department of Finance passed legislation, applicable to the June 19, 2020 private placement, which extends the flow-through funds spend period and the look-back rule by one year, including suspending the Part XII.6 tax for the same period. Based on the new legislation, as of December 31, 2021, the Corporation is required to spend the following flow-through funds by December 31, 2022:

Closing Date of Financing	Province	Remaining Flow-through Funds
June 19, 2020	Québec	626
February 25, 2021	Québec	15,911
Total		**$ 16,537**

As of December 31, 2021, the Corporation will be subject to Part XII.6 taxes on any unspent flowthrough expenditures after February 1, 2022 for flow-through funds raised in 2020 and 2021.

22) Subsequent events

On January 13, 2022, Patriot Battery Metals Inc. ("Patriot") earned a 50% interest upon completion of $2.25 million in work expenditures on the FCI Property. On February 22, 2022, O3 Mining announced that it had entered into an asset purchase and sale agreement with Patriot to sell its remaining 50% interest in certain mining claims comprising the FCI Property to Patriot in exchange for (i) 1,800,000 common shares of Patriot, and (ii) a one-time cash payment of C$3 million from Patriot.

On January 14, 2022, 880,000 stock options were issued to management, at an exercise price of $1.98 and a term of 5 years. The options have been fair valued at $1.15 per option on average using the Black-Scholes option pricing model. One third of these options vest on the first anniversary from the date of grant, with the remaining thirds each vesting on the second and third anniversaries from the date of grant.

On January 14, 2022, 480,000 RSUs were issued to management. Each RSU has been fair valued at $1.96 at the Corporation's closing share price before the date of grant. The RSUs vest on the third anniversary date from the date of grant.

On January 14, 2022, 240,000 DSUs of the Corporation were issued to directors. Each DSU has been fair valued at $1.96 initially at the Corporation's closing share price on the date of grant. The DSUs vest immediately on the date of grant.

On February 28, 2022, the Corporation announced that it has entered into a non-binding letter of intent with Cartier Resources Inc. ("Cartier") pursuant to which Cartier would acquire a 100% interest in the East Cadillac Project, located in Val-d'Or, Québec, Canada, which is currently held in O3 Mining's wholly-owned subsidiary, CGMQ. The transaction remains subject to due diligence, corporate and regulatory approvals, entry into definitive agreements and other customary closing conditions.