



Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2021 and 2020
Presented in Canadian dollars
(Unaudited)

O3 Mining

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

As at	September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 40,972	\$ 34,269
Other receivables	256	812
Advances and prepaid expenses	294	432
Taxes recoverable	1,690	1,238
Marketable securities (note 3)	11,968	19,036
Assets of disposal group held for sale (note 4)	-	24,850
Total current assets	55,180	80,637
Non-current assets		
Investment in associate (note 5)	50,643	-
Property, plant and equipment (note 6)	3,145	2,376
Exploration and evaluation assets (note 7)	158,396	127,390
Long-term receivables	400	650
Total non-current assets	212,584	130,416
Total assets	\$ 267,764	\$ 211,053
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 8,012	\$ 3,251
Current lease liabilities	240	181
Liabilities of disposal group held for sale (note 4)	-	1,289
Total current liabilities	8,252	4,721
Non-current liabilities		
Flow-through premium liability (note 10(a))	9,649	6,128
Share-based payment liability (note 8)	966	801
Non-current lease liabilities	1,402	893
Deferred tax liability (note 9)	6,968	3,775
Total non-current liabilities	18,985	11,597
Total liabilities	27,237	16,318
Equity		
Share capital (note 10(a))	202,256	184,150
Contributed surplus (note 10(d))	8,594	6,816
Warrants (note 10(e))	9,399	9,628
Retained earnings/(deficit)	20,278	(5,859)
Total equity attributed to equity holders of the Corporation	240,527	194,735
Total liabilities and equity	\$ 267,764	\$ 211,053

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

Commitments (note 13)
Subsequent events (note 14)

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

<i>For the period ended</i>	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Expenses/(income)				
Compensation expenses (note 11)	\$ 859	\$ 1,296	\$ 3,113	\$ 3,865
General and administration expenses (note 11)	668	416	1,759	1,746
General exploration expenses	-	-	24	24
Loss on impairment of exploration and evaluation assets	-	831	-	831
Flow-through premium income (note 10(a))	(3,821)	(1,459)	(11,358)	(3,145)
Gain on disposition of disposal group held for sale (note 4)	-	-	(25,936)	-
Loss/(gain) from marketable securities (note 3)	2,664	(4,263)	3,334	(7,415)
Loss on disposition of property, plant and equipment	-	2	-	-
Gain on disposition of exploration and evaluation assets (note 7)	-	(53)	(272)	(1,733)
Other income	-	(2)	-	(5)
Operating loss/(income)	370	(3,232)	(29,336)	(5,832)
Finance income	(67)	(92)	(261)	(199)
Finance costs	25	28	78	44
Net finance income	(42)	(64)	(183)	(155)
Share of loss of associate (note 5)	144	-	189	-
Loss/(income) before tax	472	(3,296)	(29,330)	(5,987)
Deferred income tax expense (note 9)	1,119	153	3,193	1,502
Current income tax expense (note 9)	-	564	-	564
Loss/(income) and comprehensive loss/(income)	\$ 1,591	\$ (2,579)	\$ (26,137)	\$ (3,921)
Basic loss/(earnings) per share (note 10(b))	\$ 0.02	\$ (0.04)	\$ (0.39)	\$ (0.08)
Weighted average number of shares (note 10(b))	68,055,529	60,296,508	66,492,254	52,042,708
Diluted loss/(earnings) per share (note 10(c))	\$ 0.02	\$ (0.04)	\$ (0.39)	\$ (0.08)
Diluted weighted average number of shares (note 10(c))	68,055,529	60,382,681	66,575,993	52,059,554

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

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

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	-	-	-	-	26,137	26,137
Stock-based compensation	-	-	-	1,549	-	1,549
Expiry of warrants	-	-	(229)	229	-	-
Private placement (net of transaction costs (\$2,065,000)) (note 10(a))	7,709,300	18,056	-	-	-	18,056
Issuance of shares on acquisition of Denain-Pershing Property	21,603	50	-	-	-	50
Balance September 30, 2021	68,061,869	\$ 202,256	\$ 9,399	\$ 8,594	\$ 20,278	\$ 240,527

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	-	-	-	-	3,921	3,921
Stock-based compensation	-	-	-	1,915	-	1,915
Issuance of shares upon exercise of warrants	100	1	(1)	-	-	-
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	25,850	3,718	-	-	29,568
Balance September 30, 2020	60,296,508	\$ 184,309	\$ 9,628	\$ 6,398	\$ (5,151)	\$ 195,184

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

<i>For the period ended</i>	September 30, 2021	September 30, 2020
Cash flows provided by/(used in) operating activities		
Income for the period	\$ 26,137	\$ 3,921
Adjustments for:		
Stock-based compensation (note 10(d))	1,481	2,371
Depreciation (note 6)	8	8
Accretion on asset retirement obligation	-	2
Flow-through premium income (note 10(a))	(11,358)	(3,145)
Gain on disposition of disposal group held for sale (note 4)	(25,936)	-
Marketable securities loss/(gain)	3,334	(7,415)
Gain on disposition of exploration and evaluation assets (note 7)	(272)	(1,733)
Loss on impairment of exploration and evaluation assets (note 7)	-	831
Interest income	(261)	(199)
Interest expense on lease liabilities	56	20
Share of loss of associate (note 5)	189	-
Deferred income tax expense (note 9)	3,193	1,502
	(3,429)	(3,837)
Change in items of working capital:		
Change in other receivables	556	(526)
Change in advances and prepaid expenses	138	(103)
Change in taxes recoverable	(409)	2,007
Change in accounts payable and accrued liabilities	(186)	(552)
Net cash used in operating activities	(3,330)	(3,011)
Cash flows provided by/(used in) investing activities		
Interest received	261	199
Acquisition of marketable securities (note 3)	(2,815)	(2,042)
Proceeds on disposition of marketable securities (note 3)	6,995	6,092
Acquisition of property, plant and equipment (note 6)	(299)	(578)
Addition to exploration and evaluation assets (note 7)	(26,840)	(9,910)
Proceeds on/(cash used in) disposition of exploration and evaluation assets (note 7)	298	(40)
Addition to asset held for sale	(137)	-
Net cash and cash equivalents used in asset acquisitions (note 7)	(125)	(23)
Net cash used in investing activities	(22,662)	(6,302)
Cash flows (used in)/provided by financing activities		
Repayment of lease liabilities	(240)	(108)
Net cash received from private placements (note 10(a))	32,935	37,845
Net cash provided by financing activities	32,695	37,737
Increase in cash and cash equivalents	6,703	28,424
Cash and cash equivalents, beginning of period	34,269	16,702
Cash and cash equivalents, end of period	\$ 40,972	\$ 45,126

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

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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 condensed interim consolidated financial statements of the Corporation at September 30, 2021 include the Corporation and its subsidiaries, Niogold Mining Corporation, O3 Markets Inc., Chalice Gold Mines (Québec) Inc., Alexandria Minerals Corporation ("Alexandria"), 9401-3513 Québec Inc. and Murgor Resources Inc. The Corporation is primarily in the business of acquiring, exploring, and developing precious mineral deposits in Canada.

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

2) Basis of preparation

a) Statement of compliance

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

These unaudited condensed interim consolidated financial statements do not include all of the disclosures required for annual financial statements and therefore should be read in conjunction with the Corporation's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2020.

These condensed interim consolidated financial statements were authorized for issuance by the Corporation's board of directors (the "Board of Directors") on November 9, 2021.

b) Significant accounting policies

The significant accounting policies followed in these condensed interim consolidated financial statements are consistent with those applied in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2020, except for policies adopted in the period ended September 30, 2021. The accounting policies set out below are in accordance with IFRS and have been applied to these unaudited condensed interim consolidated financial statements.

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2) Basis of preparation (continued)

b) Significant accounting policies (continued)

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.

c) Changes in IFRS accounting policies and future accounting pronouncements

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee that are mandatory for accounting years beginning on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Corporation and have been excluded from the summary below.

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.

d) Use of critical estimates and judgements

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

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

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2) Basis of preparation (continued)

d) Use of critical estimates and judgements (continued)

In preparing these condensed interim consolidated financial statements, the significant judgements and estimates made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2020, except as noted below.

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 4 and 5).

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 September 30, 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.

3) Marketable securities

The Corporation holds shares and warrants in various public and private companies. During the three and nine-month periods ended September 30, 2021, these shares and warrants were fair valued, and this resulted in an unrealized loss of \$2,540,000 and \$6,956,000, respectively (2020 – gain of \$478,000 and \$4,413,000). The Corporation sold shares during the three and nine-month periods ended September 30, 2021, which resulted in a realized loss of \$124,000 and a gain of \$3,622,000, respectively (2020 – gain of \$3,785,000 and \$3,002,000).

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3) Marketable securities (continued)

The shares in the various public companies are classified as FVTPL and are recorded at fair value using the quoted market price as at September 30, 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 September 30, 2021:

<i>As at</i>	September 30, 2021
Balance, beginning of period	\$ 19,036
Additions	2,815
Disposals	(6,995)
Share consideration from disposition of exploration and evaluation assets (note 7)	446
Realized gain	3,622
Unrealized loss	(6,956)
Balance, end of period	\$ 11,968

4) 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.

5) Investment in associate

On February 24, 2021, as part of the sale of its wholly owned subsidiary Northern Gold (note 4), 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 September 30, 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 September 30, 2021 was \$1.71 per share which corresponds to a quoted market value of \$42,610,000 for the Corporation's investment in Moneta.

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Notes to Condensed Interim Consolidated Financial Statements

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(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)
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5) Investment in associate (continued)

The following table summarizes information regarding the Corporation's investment in its associate as at September 30, 2021:

As at	September 30, 2021
Balance, beginning of period	\$ -
Investment in associate (note 4)	50,832
Share of loss for the period	(189)
Balance, end of period	\$ 50,643

6) Property, plant and equipment

The following table summarizes information regarding the Corporation's property, plant and equipment as at September 30, 2021:

Class	September 30, 2021							Net book value
	Cost			Accumulated depreciation				
	Opening balance	Additions	Closing balance	Opening balance	Depreciation	Closing balance		
Computer Equipment	\$ 137	\$ 96	\$ 233	\$ 25	\$ 36	\$ 61	\$ 172	
Office Equipment	9	-	9	3	6	9	-	
Buildings	1,122	597	1,719	45	88	133	1,586	
Exploration Equipment	365	-	365	39	70	109	256	
Milling Plant	299	-	299	-	-	-	299	
Leasehold Improvements	556	333	889	-	79	79	810	
Automobiles	-	25	25	-	3	3	22	
Total	\$ 2,488	\$ 1,051	\$ 3,539	\$ 112	\$ 282	\$ 394	\$ 3,145	

7) Exploration and evaluation assets

The following table summarizes information regarding the Corporation's exploration and evaluation assets as at September 30, 2021:

	December 31,			September 30,		
	2020	Acquisitions	Additions	Disposals	2021	
Kan - James Bay	\$ 236	\$ -	\$ 12	\$ -	\$ 248	
FCI - Corvette Lithium	(62)	-	916	-	854	
Éléonore Opinaca	1,013	-	1	-	1,014	
Launay	1,003	-	6	-	1,009	
Malartic	65,207	-	15,876	(1)	81,082	
Alpha	44,859	-	13,458	-	58,317	
Harricana	1,649	-	-	-	1,649	
East Cadillac	13,485	175	784	(221)	14,223	
Total exploration and evaluation assets	\$ 127,390	\$ 175	\$ 31,053	\$ (222)	\$ 158,396	

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

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7) Exploration and evaluation assets (continued)

a) Acquisition of exploration and evaluation assets

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) Disposition of exploration and evaluation assets

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.

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.

8) Restricted share unit and deferred share unit plans

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

The following table summarizes information regarding the Corporation's outstanding and exercisable RSUs and DSUs as at September 30, 2021:

	Number of DSUs	Number of RSUs
Outstanding at December 31, 2020	51,440	490,000
Granted	98,372	90,000
Outstanding at September 30, 2021	149,812	580,000

During the period ended September 30, 2021, 98,372 DSUs were issued to directors in lieu of directors' fees. The weighted average fair value of the DSUs granted was \$2.21 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.

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

During the period ended September 30, 2021, 90,000 RSUs were issued to management. The weighted average fair value of the RSUs granted was \$3.28 per RSU initially at the closing price of the common shares of the Corporation on the date of grant. The RSUs vest on the third anniversary date from the date of grant.

As at September 30, 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 \$1.95.

The combined total recognized expense for RSUs and DSUs for the three and nine-month periods ended September 30, 2021 was \$23,000 and \$165,000, respectively (2020 – \$252,000 and \$488,000) from which \$2,000 and \$13,000 respectively were capitalized to exploration and evaluation assets (2020 - \$39,000 and \$33,000).

9) Income taxes

The following table outlines the composition of the deferred tax and current tax expense between income and mining tax for the period ended September 30, 2021:

	September 30, 2021	September 30, 2020
<i>For the period ended</i>		
Current income tax expense	\$ -	\$ 564
Total current tax expense	\$ -	\$ 564
Deferred income tax (recovery)/expense	\$ (1,070)	\$ 486
Deferred mining tax expense	4,263	1,016
Total deferred income tax expense	\$ 3,193	\$ 1,502
Total current and deferred tax expense	\$ 3,193	\$ 2,066

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

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

<i>As at</i>	September 30, 2021	December 31, 2020
Deferred tax liability		
Deferred income tax liability on net taxable temporary differences	\$ -	\$ (1,068)
Deferred mining tax liability on net taxable temporary differences	(6,968)	(2,707)
Total deferred tax liability	\$ (6,968)	\$ (3,775)

10) Capital and other components of equity

a) Share capital – authorized

	Number of Common Shares	Amount
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 acquisition of Denain-Pershing Property (note 7)	21,603	50
Balance September 30, 2021	68,061,869	\$ 202,256

O3 Mining

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2021 and 2020
(Tabular amounts express in thousands of Canadian dollars, except per share and share amounts)
(Unaudited)

10) 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 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.

During the three and nine-month periods ended September 30, 2021, flow-through premium income of \$3,821,000 and \$11,358,000 respectively (2020 – \$1,459,000 and \$3,145,000) was recognized relating to the flow-through shares issued.

b) Basic earnings and loss per share

The calculation of basic earnings and loss per share for the three and nine-month periods ended September 30, 2021 and 2020 was based on the income or loss attributable to common shareholders and a basic weighted average number of common shares outstanding, calculated as follows:

<i>For the period ended</i>	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Common shares outstanding, at beginning of the period	68,040,266	60,296,508	60,330,966	46,927,215
Common shares issued during the period	15,263	-	6,161,288	5,115,493
Basic weighted average number of common shares	68,055,529	60,296,508	66,492,254	52,042,708
Loss/(income) for the period	\$ 1,591	\$ (2,579)	\$ (26,137)	\$ (3,921)
Basic loss/(earnings) per share	\$ 0.02	\$ (0.04)	\$ (0.39)	\$ (0.08)

c) Diluted earnings and loss per share

The calculation of diluted earnings and loss per share for the three and nine-month periods ended September 30, 2021 and 2020 was based on the income or loss attributable to common shareholders and a basic weighted average number of common shares outstanding, adjusted for the effect of each stock option where the exercise price exceeds the average market price of ordinary shares during the periods and DSUs.

During the three and nine-month periods ended September 30, 2021 and 2020 there were no vested RSU and the average market price of ordinary shares during the periods 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.

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10) Capital and other components of equity (continued)

c) Diluted earnings and loss per share (continued)

<i>For the period ended</i>	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Basic weighted average number of common shares (note 10(b))	68,055,529	60,296,508	66,492,254	52,042,708
Effect of dilutive stock options	-	54,690	1,829	-
Effect of dilutive DSUs	-	31,483	81,910	16,846
Diluted weighted average number of common shares	68,055,529	60,382,681	66,575,993	52,059,554
Loss/(income) for the period	\$ 1,591	\$ (2,579)	\$ (26,137)	\$ (3,921)
Diluted loss/(earnings) per share	\$ 0.02	\$ (0.04)	\$ (0.39)	\$ (0.08)

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 period ended September 30, 2021:

	Number of stock options	Weighted-average exercise price
Outstanding at December 31, 2020	3,917,543	\$ 2.83
Granted	890,000	3.26
Forfeited	(126,667)	2.90
Outstanding at September 30, 2021	4,680,876	\$ 2.91

On January 5, 2021, 890,000 stock options were issued to directors, management and employees, at an exercise price of \$3.26 for a period of 5 years. The options have been fair valued using the Black-Scholes option-pricing model.

The total recognized expense for stock options for the three and nine-month periods ended September 30, 2021 was \$463,000 and \$1,549,000 (2020 – \$616,000 and \$1,915,000) from which \$77,000 and \$219,000 was capitalized to exploration and evaluation assets (2020 – \$27,000 and \$nil).

The following table summarizes the weighted average assumptions used for the valuation of the stock options issued during the period ended September 30, 2021:

<i>For the period ended</i>	September 30, 2021
Fair value at grant date	\$ 1.81
Forfeiture rate	6.1%
Share price at grant date	\$ 3.26
Exercise price	\$ 3.26
Expected volatility	84%
Dividend yield	0.0%
Option life (weighted average life)	3.3 years
Risk-free interest rate (based on government bonds)	0.26%

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10) 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 September 30, 2021:

Range of exercise prices per share (\$)	Options outstanding			Options exercisable		
	Weighted-average remaining years of contractual life	Number of stock options outstanding	Weighted average exercise price (\$)	Weighted-average remaining years of contractual life	Number of stock options exercisable	Weighted average exercise price (\$)
2.44 to 2.92	3.2	1,693,686	\$2.52	3.0	677,005	\$2.56
2.93 to 3.20	2.9	2,005,000	\$3.07	2.9	2,005,000	\$3.07
3.21 to 3.47	3.8	964,149	\$3.27	0.3	109,149	\$3.33
3.48 to 3.60	0.5	18,041	\$3.60	0.5	18,041	\$3.60
2.44 to 3.60	3.2	4,680,876	\$2.91	2.8	2,809,195	\$2.96

e) Warrants

The following table summarizes the transactions pertaining to the Corporation's outstanding standard warrants for the period ended September 30, 2021. These warrants are exercisable at one warrant for one common share of the Corporation:

	Number of warrants	Weighted-average exercise price
Outstanding at December 31, 2020	12,071,049	\$ 3.78
Expired	(238,602)	3.88
Outstanding at September 30, 2021	11,832,447	\$ 3.77

11) Expenses

The following table summarizes information regarding the Corporation's expenses for the three and nine-month periods ended September 30, 2021 and 2020:

For the period ended	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Compensation expenses				
Stock-based compensation (note 8 and note 10(d))	\$ 407	\$ 803	\$ 1,481	\$ 2,371
Salaries and benefits	452	493	1,632	1,494
Total compensation expenses	\$ 859	\$ 1,296	\$ 3,113	\$ 3,865
General and administration expenses				
Shareholder and regulatory expense	\$ 268	\$ 70	\$ 559	\$ 300
Travel expense	26	24	33	72
Professional fees	260	225	817	1,059
Office expense	114	97	350	315
Total general and administration expenses	\$ 668	\$ 416	\$ 1,759	\$ 1,746
Marketable securities				
Realized loss/(gain) from marketable securities (note 3)	\$ 124	\$ (3,785)	\$ (3,622)	\$ (3,002)
Unrealized loss/(gain) from marketable securities (note 3)	2,540	(478)	6,956	(4,413)
Total marketable securities loss/(gain)	\$ 2,664	\$ (4,263)	\$ 3,334	\$ (7,415)

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12) Related party transactions

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

During the three and nine-month periods ended September 30, 2021, management fees, geological services, rent and administration fees of \$161,000 and \$504,000 (2020 - \$162,000 and \$874,000) were incurred with Osisko Mining, a related company of the Corporation by virtue of Osisko Mining having significant influence over the Corporation. Also, Mr. John Burzynski, Chairman of the Board of Directors of the Corporation, serves as Executive Chairman, CEO, and Director of Osisko Mining and Mr. José Vizquerra, President and CEO of O3 Mining, serves as a Director of Osisko Mining. Accounts payable and accrued liabilities to Osisko Mining as at September 30, 2021 were \$57,000 (2020 - \$51,000).

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 three and nine-month periods ended September 30, 2021 and 2020:

For the period ended	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Salaries expense of key management	\$ 156	\$ 145	\$ 469	\$ 435
Directors' fees	134	120	386	360
Stock-based compensation	224	443	808	1,278
Total	\$ 514	\$ 708	\$ 1,663	\$ 2,073

13) Commitments

The Corporation has the following exploration commitments as at September 30, 2021:

	Total	2021	2022	2023	2024	2025	2026
Equipment leases	210	24	95	78	13	-	-
Total	\$ 210	\$ 24	\$ 95	\$ 78	\$ 13	\$ -	\$ -

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 September 30, 2021, the Corporation would be 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	640
February 25, 2021	Québec	22,054
Total		\$ 22,694

As of September 30, 2021, the Corporation is subject to Part XII.6 taxes on any unspent flowthrough expenditures after February 1, 2022 for flow-through funds raised in 2020 and 2021.

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14) Subsequent events

On October 1, 2021, the Corporation, through its wholly owned subsidiary Alexandria, acquired an 80% interest in the Centremaque Property from Golden Valley Mines and Royalties Ltd. ("Golden Valley"). O3 Mining acquired the interest in the Centremaque Property 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.