

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

(Expressed in Canadian Dollars)

Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2021 and 2020

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NOTICE OF NON-REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim consolidated financial statements, they must be accompanied by a notice indicating that these condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The attached condensed interim consolidated financial statements for the three months ended March 31, 2021 have not been reviewed by the Company's auditors.

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Financial Position as at
(Unaudited - Expressed in Canadian Dollars)

| | Note(s) | March 31, 2021 | December 31, 2020 |
|---|---------|----------------|-------------------|
| Assets | | | |
| Current assets: | | | |
| Cash | | \$ 19,362,608 | \$ 7,231,563 |
| GST and VAT receivable | | 626,275 | 330,831 |
| Prepaid expense and deposits | | 182,426 | 80,430 |
| | | \$ 20,171,309 | \$ 7,642,824 |
| Liabilities and Shareholders' Equity (Deficit) | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 5 | \$ 1,752,509 | \$ 985,857 |
| Flow-through premium liability | | 530,696 | 857 |
| | | 2,283,205 | 986,714 |
| Deferred tax liability | | 65,526 | - |
| | | \$ 2,348,731 | \$ 986,714 |
| Shareholders' equity (deficit): | | | |
| Capital stock | 6 | 32,841,048 | 18,721,062 |
| Reserves | 6 | 1,633,026 | 1,257,816 |
| Subscriptions received in advance | 6 | 7,500 | - |
| Deficit | 6 | (16,658,996) | (13,322,768) |
| | | 17,822,578 | 6,656,110 |
| | | \$ 20,171,309 | \$ 7,642,824 |

Nature and continuance of operations (Note 1)

Subsequent events (Note 11)

On behalf of the Board:

"Derrick Weyrauch" Director"Lawrence Roulston" Director

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

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

| | Note | 3 months ended March 31, 2021 | 3 months ended March 31, 2020 |
|---|------|----------------------------------|----------------------------------|
| Expenses | | | |
| Consulting | 9 | \$ 170,626 | \$ 67,310 |
| Exploration and evaluation | 4, 9 | 2,484,702 | 1,280,108 |
| Foreign exchange loss | | 11,493 | 24,240 |
| General and administrative | | 21,113 | 8,460 |
| Investor relations | | 57,390 | 313,486 |
| Professional fees | | 435,489 | 5,206 |
| Rent | 9 | 14,368 | 4,801 |
| Share-based compensation | 6, 9 | 50,391 | - |
| Transfer agent and filing fees | | 102,624 | 9,666 |
| Travel and promotion | | 2,156 | 1,852 |
| | | (3,350,352) | (1,715,129) |
| Amortization of flow-through premium liability | | 57,661 | 5,398 |
| Deferred income tax | | (65,526) | - |
| Interest income | | 21,989 | 12,266 |
| | | 14,124 | 17,664 |
| Loss and comprehensive loss for the period | | (3,336,228) | (1,697,465) |
| Loss per share – basic and diluted | | \$ (0.02) | \$ (0.01) |
| Weighted average number of common shares outstanding | | | |
| – basic and diluted | | 206,081,875 | 113,517,006 |

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

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Cash Flows for the Three Months Ended March 31,
(Unaudited - Expressed in Canadian Dollars)

| | 2021 | 2020 |
|---|----------------|----------------|
| OPERATING ACTIVITIES | | |
| Loss for the period | \$ (3,336,228) | \$ (1,697,465) |
| Items not involving cash | | |
| Amortization of flow-through premium liability | (57,661) | (5,398) |
| Deferred income tax | 65,526 | - |
| Foreign exchange loss | 11,493 | - |
| Share-based compensation | 50,391 | - |
| Shares issued for net smelter royalty buyback | - | 73,125 |
| Change in non-cash working capital items: | | |
| Accounts payable and accrued liabilities | 755,159 | 174,818 |
| Prepaid expense and deposits | (101,996) | (65,316) |
| Sales tax receivable | (295,444) | (121,002) |
| | (2,908,760) | (1,641,238) |
| FINANCING ACTIVITIES | | |
| Proceeds from private placement | 15,009,000 | - |
| Private placement shares issuance costs | (900,540) | - |
| Proceeds from options exercised | 100,250 | 6,000 |
| Proceeds from warrants exercised | 823,595 | 570,150 |
| Subscriptions received in advance | 7,500 | - |
| | 15,039,805 | 576,150 |
| Increase (decrease) in cash | 12,131,045 | (1,065,088) |
| Cash, beginning of the period | 7,231,563 | 3,780,176 |
| Cash, end of the period | \$ 19,362,608 | \$ 2,715,088 |
| Supplemental disclosures with respect to cash flows: | | |
| Cash paid during the period for income taxes | \$ - | \$ - |
| Cash paid during the period for interest | \$ - | \$ - |
| Non-cash items: | | |
| Mineral property expenditures included in accounts payable | \$ 1,108,513 | \$ 60,893 |
| Flow through premium liability | \$ 587,500 | \$ - |
| Fair value of brokers' warrants | \$ 382,368 | \$ - |
| Fair value transfer of options exercised | \$ 57,549 | \$ 2,394 |

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

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(Unaudited - Expressed in Canadian Dollars)

| | Capital Stock | | Subscriptions received in advance | Reserves | Deficit | Total shareholders' equity (deficit) |
|---|--------------------|----------------------|---|---------------------|------------------------|--|
| | Shares | Amount | | | | |
| Balance at December 31, 2019 | 109,792,349 | \$ 10,831,682 | \$ - | \$ 1,308,542 | \$ (8,462,594) | \$ 3,677,630 |
| Shares issued for net smelter royalty buyback | 375,000 | 73,125 | - | - | - | 73,125 |
| Warrants exercised | 4,751,250 | 570,150 | - | - | - | 570,150 |
| Options exercised | 75,000 | 8,394 | - | (2,394) | - | 6,000 |
| Loss for the period | - | - | - | - | (1,697,465) | (1,697,465) |
| Balance at March 31, 2020 | 114,993,599 | \$ 11,483,351 | \$ - | \$ 1,306,148 | \$ (10,160,059) | \$ 2,629,440 |
| Balance at December 31, 2020 | 179,392,852 | \$ 18,721,062 | \$ - | \$ 1,257,816 | \$ (13,322,768) | \$ (6,656,110) |
| Private placements | 49,600,000 | 15,009,000 | - | - | - | 15,009,000 |
| Share issuance costs – cash | - | (900,540) | - | - | - | (900,540) |
| Share issuance costs – brokers' warrants | - | (382,368) | - | 382,368 | - | - |
| Share-based compensation | - | - | - | 50,391 | - | 50,391 |
| Subscriptions received in advance | - | - | 7,500 | - | - | 7,500 |
| Warrants exercised | 6,686,500 | 823,595 | - | - | - | 823,595 |
| Options exercised | 750,000 | 157,799 | - | (57,549) | - | 100,250 |
| Flow-through premium | - | (587,500) | - | - | - | (587,500) |
| Loss for the period | - | - | - | - | (3,336,228) | (3,336,228) |
| Balance at March 31, 2021 | 236,429,352 | \$ 32,841,048 | \$ 7,500 | \$ 1,633,026 | \$ (16,658,996) | \$ 17,822,578 |

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

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2021 and 2020

(Unaudited - Expressed in Canadian Dollars)

1. Nature and continuance of operations

Palladium One Mining Inc. ("Palladium" or the "Company") is a mineral exploration company listed on the TSX Venture Exchange ("TSX-V") under the symbol "PDM". The address of the Company's corporate head office and principal place of business is 550 - 800 West Pender Street, Vancouver, BC, V6C 2V6.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence are dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Management estimates that the Company will be able to meet its obligations and to sustain operations for at least the next twelve months.

The Company's ability to continue as a going concern is dependent upon its ability to fund its exploration and evaluation programs. These condensed interim financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classification that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of business operations. Such adjustments could be material.

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for interim information, specifically International Accounting Standards ("IAS") 34 – *Interim Financial Reporting*. In addition, the condensed interim consolidated financial statements have been prepared using interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") and the same accounting policies and methods of their application as the most recent annual financial statements of the Company. These condensed interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020. In management's opinion, all adjustments necessary for fair presentation have been included in these condensed interim consolidated financial statements. Interim results are not necessarily indicative of the results expected of the year ended December 31, 2021.

The condensed interim consolidated financial statements were approved by the Board of Directors on May 28, 2021.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. To date, there have been no adverse effects on the Company's business or ability to raise funds.

2. Basis of presentation

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss or available for sale, which are stated at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2021 and 2020

(Unaudited - Expressed in Canadian Dollars)

3. Summary of significant accounting policies

The accounting policies in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2020.

Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Tyko Resources Inc. and Nortec Mineral Oy ("Nortec"). All inter-company transactions and balances have been eliminated upon consolidation.

| Name of subsidiary | Country of incorporation | Proportion of ownership interest | Principal activity |
|---------------------|--------------------------|----------------------------------|---------------------|
| Tyko Resources Inc. | Canada | 100% | Mineral exploration |
| Nortec Mineral Oy. | Finland | 100% | Mineral exploration |

4. Exploration and evaluation expenditures

The Company incurred the following expenditures on their properties during the period:

| | March 31, 2021 | March 31, 2020 |
|---|----------------|----------------|
| LK Project: | | |
| Acquisition costs – Net Smelter Royalty ("NSR") buyback | \$ - | \$ 125,883 |
| Assays and surveying | 384,654 | 374,452 |
| Drilling | 909,644 | 267,900 |
| Equipment rental | 6,372 | 5,841 |
| Field costs | 117,779 | 38,289 |
| Geological consulting | 237,298 | 118,607 |
| Mobilization/demobilization | - | 43,665 |
| Permits / Reservations | 74,441 | 112,869 |
| Report | - | 36,634 |
| Travel and support | 49,136 | 81,970 |
| | 1,779,324 | 1,206,110 |
| Tyko Project: | | |
| Assays and surveying | 3,140 | 2,910 |
| Drilling | 89,652 | - |
| Field costs | 8,469 | 2,750 |
| Mobilization/demobilization | 2,851 | - |
| Staking and line cutting | - | 5,220 |
| | 104,112 | 10,880 |
| Disraeli Lake Project: | | |
| Acquisition cost of Disraeli | - | 5,000 |
| Assays and surveying | 39,954 | 41,745 |
| Drilling | 134,733 | - |
| Equipment rental | 146,771 | 1,887 |
| Field costs | 96,769 | 385 |
| Geological consulting | 95,646 | - |
| Mobilization/demobilization | 82,163 | 5,314 |
| Report | - | 5,743 |
| Staking and line cutting | - | 660 |
| Travel and support | 5,230 | 2,384 |
| | 601,266 | 63,118 |
| | \$ 2,484,702 | \$ 1,280,108 |

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2021 and 2020

(Unaudited - Expressed in Canadian Dollars)

4. Exploration and evaluation expenditures (continued)

LK Project

The Company holds a 100% interest in the Lantinen Koillismaa Platinum Group Element-Copper-Nickel (PGE-Cu-Ni) project ("LK Project") located in North-central Finland. The LK project was acquired on February 28, 2018 as part of the acquisition of Nortec Minerals Oy.

On January 16, 2020, the Company bought back an existing 2% Net Smelter Return ("NSR") royalty in respect of the historic Haukiaho deposit and surrounding properties. The terms of the royalty buyback included a cash payment of \$50,000 and issuance of 375,000 common shares (Note 6).

KS Project

The Company holds a 100% interest in the Kostonjarvi Platinum Group Element-Copper-Nickel (PGE-Cu-Ni) project ("KS Project") located in North-central Finland adjacent to the LK project. The application for the KS reservation was submitted on October 21, 2019, was granted on December 4, 2019, and is in good standing until October 20, 2021.

Tyko Project

The Company holds a 100% interest in the Tyko project located in Northwestern Ontario.

Disraeli Lake Project

The Company holds a 100% interest in the Disraeli Lake project located near Thunder Bay, Ontario. The project was acquired on February 5, 2020 by making a cash payment of \$5,000 and incurring \$56,000 in exploration expenditures, which was fulfilled by the end of March 2020. In addition, the Company has the right at any time following the closing date of the sale, but before the eighth anniversary of the closing date to purchase from the vendor one-half of the NSR by way of a one-time payment to the vendor of \$1,000,000 and thereby reduce the royalty rate payable to the vendor from 1.0% to 0.5%.

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of payables to vendors. The breakdowns of accounts payable and accrued liabilities are as follows:

| | March 31, 2021 | December 31, 2020 |
|---------------------|---------------------|-------------------|
| Accounts Payable | \$ 1,659,495 | \$ 961,991 |
| Accrued Liabilities | 93,014 | 23,866 |
| | <u>\$ 1,752,509</u> | <u>\$ 985,857</u> |

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2021 and 2020

(Unaudited - Expressed in Canadian Dollars)

6. Capital stock and reserves

The authorized capital stock of the Company consists of an unlimited number of common shares with no par value.

Transactions for the three months ended March 31, 2021 were as follows:

Private placements

On February 24, 2021, the Company completed a bought deal financing and issued 43,100,000 units at a price of \$0.29 per unit for gross proceeds \$12,499,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share for a period of two years from closing at a price of \$0.45 per share. The Company incurred 6% commission fees totaling \$749,940 and issued 2,586,000 brokers' warrants with a fair value of \$341,041, exercisable at \$0.29 for two years from closing date. The warrants were allocated a value of \$nil using the residual value allocation method.

On February 24, 2021, the Company also completed a brokered private placement of flow through units for gross proceeds of \$2,510,000. The Company issued 5,000,000 charity flow-through units at a price of \$0.40 per unit and 1,500,000 flow-through units at a price of \$0.34 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share for a period of two years from closing at a price of \$0.45 per share. The Company incurred 6% commission fees totaling \$150,600 and issued 300,000 brokers' warrants with a fair value of \$30,778 exercisable at \$0.40 and 90,000 brokers' warrants with a fair value of \$10,549 exercisable at \$0.34 for two years from closing date. The warrants were allocated a value of \$nil using the residual value allocation method. A flow through liability of \$587,500 was recognized with respect to these flow through shares.

Restricted share units

On March 15, 2021, the Company granted 1,275,862 restricted share units ("RSU") with a fair value of \$370,000 to certain directors, officers, consultants and advisors. The RSU will fully vest three years from the date of grant. As at March 31, 2021, the Company recognized share-based compensation expense related to the RSU in the amount of \$5,406.

Warrants exercised

During the three months ended March 31, 2021, 6,686,500 shares were issued upon exercise of warrants for net proceeds of \$823,595.

Options exercised

During the three months ended March 31, 2021, 750,000 shares were issued upon option exercise for net proceeds of \$100,250. In connection with the issuance, a total of \$57,549 was reallocated from reserves to capital stock.

Subscriptions received in advance

During the three months ended March 31, 2021, a total of \$7,500 was received and included in subscriptions received in advance in connection with warrant exercise.

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2021 and 2020

(Unaudited - Expressed in Canadian Dollars)

6. Capital stock and reserves (continued)

Transactions for the year ended December 31, 2020 were as follows:

Private placements

On May 20, 2020, the Company completed the first tranche of its non-brokered private placement of flow through units for gross proceeds of \$1,057,950. The Company issued 2,700,000 charity flow-through units at a price of \$0.13 per unit and 7,855,000 flow-through units at a price of \$0.09 per unit. Each unit is comprised of one common share, one-half of one Common Share purchase warrant exercisable at \$0.13 for 12 months, then \$0.22 for the following 12 months. The Company incurred finders' fees totaling \$28,975 and issued 67,500 finders' warrants with a fair value of \$3,894, exercisable at \$0.13 for 12 months, then \$0.22 for the following 12 months. A flow through liability of \$128,161 was recognized with respect to these flow through shares.

On May 26, 2020, the Company completed the second tranche of its non-brokered private placement of charity flow through units, for gross proceeds of \$76,440. The Company issued 588,000 charity flow-through units at a price of \$0.13 per unit. Each unit is comprised of one common share, one-half of one Common Share purchase warrant exercisable at \$0.13 for 12 months, then \$0.22 for the following 12 months.

Shares for Net Smelter Royalty buyback

On January 16, 2020, the Company bought back an existing 2% Net Smelter Return ("NSR") royalty in respect of the historic Haukiahio deposit and surrounding properties. The terms of the royalty buyback included a cash payment of \$50,000 and on January 20, 2020, the Company issued 375,000 common shares at a price of \$0.195, with a fair value of \$73,125.

Warrants exercised

During the year ended December 31, 2020, 58,007,503 shares were issued upon exercise of warrants for proceeds of \$6,782,275. In connection with the issuance, a total of \$52,226 was reallocated from reserves to capital stock.

Options exercised

During the year ended December 31, 2020, 75,000 shares were issued upon option exercise for proceeds of \$6,000. In connection with the issuance, a total of \$2,394 was reallocated from reserves to capital stock.

Warrants

The Company uses the residual approach when allocating the fair value of the share purchase warrants issued in conjunction with the offering of units through a private placement. The Company determines the fair value of the common share and the residual value is allocated to the share purchase warrant for unit offerings that contain a common share and a share purchase warrant.

The number and weighted average exercise prices of warrants are as follows:

| | Number of warrants | Weighted average exercise price |
|---|-------------------------------|--|
| Outstanding warrants, December 31, 2019 | 69,650,499 | \$0.17 |
| Granted | 5,639,000 | \$0.13 |
| Exercised | (58,007,503) | \$0.17 |
| Expired | (4,410,000) | \$0.19 |
| Outstanding warrants, December 31, 2020 | 12,871,996 | \$0.13 |
| Granted | 27,776,000 | \$0.43 |
| Exercised | (6,686,500) | \$0.12 |
| Outstanding warrants, March 31, 2021 | 33,961,496 | \$0.38 |

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Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2021 and 2020

(Unaudited - Expressed in Canadian Dollars)

6. Capital stock and reserves (continued)**Warrants (continued)**

As at March 31, 2021, warrants enabling the holders to acquire common shares are as follows:

| Expiry date (mm/dd/yyyy) | Number of warrants | Weighted average remaining life in years | Weighted average exercise price |
|-----------------------------|--------------------|--|------------------------------------|
| 05/09/2021 | 2,777,000 | 0.11 | \$0.12 |
| 10/18/2021 | 150,000 | 0.55 | \$0.12 |
| 12/02/2021 | 849,996 | 0.67 | \$0.20 ¹ |
| 12/02/2021 | 91,000 | 0.67 | \$0.20 ¹ |
| 05/20/2022 | 2,317,500 | 1.14 | \$0.13 ² |
| 02/24/2023 | 21,550,000 | 1.90 | \$0.45 |
| 02/24/2023 | 3,250,000 | 1.90 | \$0.45 |
| 02/24/2023 | 2,586,000 | 1.90 | \$0.29 |
| 02/24/2023 | 90,000 | 1.90 | \$0.34 |
| 02/24/2023 | 300,000 | 1.90 | \$0.40 |
| | 33,961,496 | 0.48 | \$0.38 |

1 Exercise price \$0.20 per Warrant in the second year from issuance.

2 Exercise price \$0.22 per Warrant in the second year from issuance.

During the three months ended March 31, 2021, brokers' warrants were issued in connection with the February 2021 financing, wherein a fair value of \$382,368 was calculated using the Black Scholes pricing model.

During the year ended December 31, 2020, finders' warrants were issued in connection with the May 2020 private placement, wherein a fair value of \$3,894 was calculated using the Black Scholes pricing model, based on the following assumptions:

| | 2021 | 2020 |
|---------------------------------|---------|---------|
| Forfeiture rate | 0.00% | 0.00% |
| Estimated risk-free rate | 0.23% | 0.30% |
| Expected volatility | 75% | 191.41% |
| Estimated annual dividend yield | 0.00% | 0.00% |
| Expected life of warrants | 2 years | 2 years |

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Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2021 and 2020

(Unaudited - Expressed in Canadian Dollars)

6. Capital stock and reserves (continued)**Stock options**

The Company has established a rolling stock option plan (“Option Plan”) enabling the directors to grant options to employees, officers, directors, and consultants of the Company. From time to time, shares may be reserved by the Board, in its discretion, for options under the Option Plan, provided that the total number of shares reserved for issuance by the Board shall not exceed 10% of the issued and outstanding listed shares (on a non-diluted basis) as at the date of grant. Options are non-assignable and may be granted for a term not exceeding that permitted by the Exchange, currently ten years. All stock options issued are subject to vesting terms. During the three months ended March 31, 2021, stock options were issued to directors, officers, consultants and advisors, exercisable at a price of \$0.29 per common share for a period of five years and with 1/3 vesting immediately and 1/3 every year thereafter. There were no stock options issued during the year ended December 31, 2020.

Share-based payments relating to options vested during the period ended March 31, 2021 using the Black-Scholes option pricing model was \$44,985 (2020 - \$nil), which was recorded as reserves on the statements of financial position and as stock option issuances expense on the statement of operations and comprehensive loss. The associated stock option issuances expense for the options granted was calculated based on the following assumptions:

| | 2021 | 2020 |
|---------------------------------|---------|------|
| Forfeiture rate | 0.00% | N/A |
| Estimated risk-free rate | 1.02% | N/A |
| Expected volatility | 75% | N/A |
| Estimated annual dividend yield | 0.00% | N/A |
| Expected life of options | 5 years | N/A |

The number and weighted average exercise prices of the stock options are as follows:

| | Number of options | Weighted average exercise price |
|--|-------------------|---------------------------------|
| Outstanding options, December 31, 2019 | 8,862,500 | \$0.13 |
| Exercised | (75,000) | \$0.08 |
| Forfeited | (50,000) | \$0.08 |
| Outstanding options, December 31, 2020 | 8,737,500 | \$0.13 |
| Granted | 775,000 | \$0.29 |
| Exercised | (750,000) | \$0.13 |
| Expired | (287,500) | \$0.30 |
| Outstanding options, March 31, 2021 | 8,475,000 | \$0.14 |

As at March 31, 2021, the Company has outstanding stock options exercisable as follows:

| Expiry date (mm/dd/yyyy) | Number of options outstanding | Weighted average remaining life in years | Exercise price | Number of options exercisable |
|-----------------------------|----------------------------------|---|----------------|----------------------------------|
| 06/07/2024 | 2,400,000 | 3.19 | \$0.08 | 2,400,000 |
| 09/30/2024 | 1,000,000 | 3.50 | \$0.08 | 1,000,000 |
| 12/29/2024 | 5,050,000 | 3.75 | \$0.15 | 5,050,000 |
| 03/15/2026 | 775,000 | 4.96 | \$0.29 | 775,000 |
| | 8,475,000 | 3.23 | \$0.14 | 8,475,000 |

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2021 and 2020

(Unaudited - Expressed in Canadian Dollars)

7. Nature and extent of risks arising from financial instruments

The Company's financial instruments consist of cash, sales tax receivable, and accounts payable and accrued liabilities. The fair values of financial assets and financial liabilities approximate their carrying amounts due to the short-term maturity of the instruments.

The following table summarizes the carrying values of the Company's financial instruments:

| | March 31, 2021 | December 31, 2020 |
|--|----------------|-------------------|
| Cash | \$ 19,362,608 | \$ 7,231,563 |
| GST and VAT receivable | 626,275 | 330,831 |
| Accounts payable and accrued liabilities | 1,752,509 | 985,857 |

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data

The following table sets for the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy:

| | Level 1 | Level 2 | Level 3 | Total |
|------|---------------|---------|---------|---------------|
| Cash | \$ 19,362,608 | \$ - | \$ - | \$ 19,362,608 |

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash and receivables. The Company's cash is held through a large Canadian financial institution. At March 31, 2021, the Company's receivables consist of sales tax receivable due from the Government of Canada and Finland of \$626,275 (December 31, 2020 - \$330,831).

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure, as outlined in Note 8 of these condensed interim consolidated financial statements. As at March 31, 2021, the Company had a cash balance of \$19,362,608 (December 31, 2020 - \$7,231,563) to settle current liabilities of \$2,283,205 (December 31, 2020 - \$986,714). However, the Company has an accumulated deficit of \$16,658,996 (December 31, 2020 - \$13,322,768). The continuation of the Company depends upon the support of its equity investors, which cannot be assured.

Other Market Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of palladium, platinum and nickel, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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(Unaudited - Expressed in Canadian Dollars)

7. Nature and extent of risks arising from financial instruments (continued)

Currency risk

The Company has transactions internationally and is exposed to foreign exchange risk from the Euro currency. Foreign exchange risk arises from financing and purchase transactions that are denominated in currency other than the Canadian Dollar, which is the functional currency of the Company. As at March 31, 2021, the Company held the Canadian dollar equivalent of \$133,953 (December 31, 2020 - \$236,417) in cash, and \$751,407 in accounts payable and accrued liabilities (December 31, 2020 - \$624,864) both of which were denominated in Euros. A 10% increase or decrease in the Euro would increase or decrease net loss by \$61,700 (December 31, 2020 - \$38,900).

Interest 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. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. As at March 31, 2021, the Company is not exposed to significant interest rate risk.

8. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the exploration and development of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include all components of equity. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There were no changes in the Company's approach to capital management during the three months ended March 31, 2021. The Company is not subject to externally imposed capital requirements.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements.

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9. Related party transactions

a) Key management compensation

Key management consists of the Company's directors and officers. In addition to management and consulting fees paid to these individuals, or companies controlled by these individuals, the Company provides stock options.

Remuneration of key management includes the following:

| | Three months ended March 31, 2021 | | Three months ended March 31, 2020 | |
|---|--------------------------------------|---------|--------------------------------------|---------|
| Salaries, consulting and management fees ⁽¹⁾ | \$ | 136,750 | \$ | 60,000 |
| Exploration and evaluation ⁽²⁾ | | 266,213 | | 129,761 |
| Share based compensation ⁽³⁾ | | 31,871 | | - |
| Total remuneration | \$ | 434,834 | \$ | 189,761 |

(1) Represents:

- CEO compensation,
- The CFO and Corporate Secretary of the Company are related parties to the Company and are retained via FT Management Inc. ("FT"). FT is engaged by the Company to execute accounting and corporate secretarial services on behalf of the Company,
- Dr. Peter Lightfoot, independent director of the Company is a related party to the Company and is the owner of Lightfoot Geoscience Inc. ("Lightfoot"). Lightfoot is retained periodically to provide technical assistance with regard to exploration activities and project evaluations,
- Lawrence Roulston, independent director of the Company is a related party to the Company and is the owner of ResOpp Publishing Corp. ("ResOpp"). ResOpp is retained periodically to provide technical assistance with regard to exploration activities and project evaluations.

(2) Neil Pettigrew, Vice President of Exploration, Director and internal Qualified Person of the Company, is a related party to the Company and is a partner in Fladgate Exploration Limited in Thunder Bay, ON. Fladgate is engaged by the Company to execute exploration and drilling programs on behalf of the Company, for each of its properties. As a consequence, Fladgate provides management, personnel, software and equipment to the Company.

(3) Represents the fair-value of stock options granted to directors and officers.

b) Related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

As at March 31, 2021, the Company owed \$100,826 (December 31, 2020 - \$84,222) to Fladgate Exploration Consulting Corp, which was related to exploration and evaluation expenses and for project management services. The amount owing was included in accounts payable and accrued liabilities and is unsecured, non-interest bearing and is expected to be repaid under normal trade terms.

During the three months ended March 31, 2021, the Company paid \$9,000 (December 31, 2020 - \$27,000) to a person related to the CEO for office rental in Toronto.

10. Segmented information

The Company has one reportable operating segment being the acquisition, exploration and evaluation of mineral properties. For the periods presented, all of the Company's long-term assets are located in Canada and Finland.

11. Subsequent events

Subsequent to the three months ended March 31, 2021, the following events took place:

- On May 9, 2021, 400,000 warrants expired unexercised.
- Subsequent to the three months ended, 4,732,000 warrants were exercised for gross proceeds of \$594,015.