



OTSO GOLD
MANAGED BY LIONSBRIDGE

OTSO GOLD CORP.

RESTATED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2021

Expressed in Canadian Dollars

(Unaudited, Prepared by Management)

Reader's Note:

These restated unaudited condensed interim consolidated financial statements of Otso Gold Corp. have been prepared by management and have not been reviewed by the Company's auditor.

OTSO GOLD CORP.

Canadian Dollars

(Unaudited, Prepared by Management)

RESTATED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | As at April 30, 2021 Restated – Note 16 | As at January 31, 2021 |
|---|---|---------------------------|
| | \$ | \$ |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 5,030,957 | 95,531 |
| Accounts receivable | 707,324 | 499,797 |
| Prepaid expenses | 256,088 | 77,220 |
| Inventory (Note 3) | 2,225,095 | 2,332,606 |
| | 8,219,464 | 3,005,154 |
| Non-current assets | | |
| Property, plant and equipment (Note 4) | 51,541,431 | 52,651,492 |
| Reclamation bonds (Note 5) | 5,764,743 | 5,094,528 |
| Exploration and evaluation assets | 1 | 1 |
| | 57,306,175 | 57,746,021 |
| TOTAL ASSETS | 65,525,639 | 60,751,175 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 12,235,101 | 15,308,184 |
| Convertible debentures (Note 8) | - | 419,378 |
| Loan (Note 6) | - | 1,278,000 |
| Pandion Loan (Note 7) | 25,216,591 | 25,595,108 |
| Royalty Provision (Note 7) | 2,404,621 | 1,468,053 |
| | 39,856,313 | 44,068,723 |
| Non-current liabilities | | |
| Convertible debentures (Note 8) | 3,963,969 | 4,079,092 |
| Royalty Provision (Note 7) | 10,300,905 | 10,647,465 |
| Decommissioning and rehabilitation provision (Note 9) | 11,404,758 | 11,966,577 |
| | 65,525,945 | 70,761,857 |
| SHAREHOLDERS' DEFICIENCY | | |
| Share capital (Note 10) | 31,424,634 | 21,794,634 |
| Accumulated other comprehensive income | (1,147,324) | 629,982 |
| Contributed surplus (Note 10) | 9,196,245 | 3,202,481 |
| Deficit | (39,473,861) | (35,637,779) |
| | (306) | (10,010,682) |
| TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY | 65,525,639 | 60,751,175 |
| Nature of Operations and Going Concern (Note 1) | | |
| Commitment and Contingencies (Note 13) | | |
| Subsequent events (Note 15) | | |

These unaudited restated condensed interim consolidated financial statements were approved by the Board of Directors on September 24, 2021 and were signed on its behalf by:

“Brian Wesson”

 Brian Wesson, Director

“Yvette Harrison”

 Yvette Harrison, Director

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RESTATED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

| | Three months ended April 30, 2021 (Restated – Note 16) | Three months ended April 30, 2020 |
|--|--|--|
| | \$ | \$ |
| Expenses | | |
| Care and maintenance costs (Note 11) | 81,332 | 1,646,155 |
| Management and consulting (Note 12) | 189,612 | 413,755 |
| Professional fees | 297,673 | 226,069 |
| Marketing and administration | 450,145 | 178,963 |
| | <u>1,018,762</u> | <u>2,464,942</u> |
| Other (income) expenses | | |
| Debt restructuring (Note 7) | 1,075,270 | - |
| Revaluation of Royalty Provision (Note 7) | 590,008 | (500,027) |
| Accretion of Pandion Loan (Note 7) | 1,937,954 | 1,733,353 |
| Accretion expense (Notes 8 & 9) | 256,689 | 98,807 |
| Foreign exchange | (776,972) | 1,046,155 |
| Revaluation of embedded derivatives (Note 8) | (265,500) | 569,879 |
| Interest income | (129) | (135) |
| | <u>2,817,320</u> | <u>2,948,032</u> |
| Loss for the period | 3,836,082 | 5,412,974 |
| Other comprehensive (income) / loss to be reclassified to profit and loss in subsequent periods | | |
| Currency translation adjustment | 1,777,306 | (1,866,168) |
| Comprehensive loss for the period | <u>5,613,388</u> | <u>3,546,806</u> |
| Loss per common share – basic and diluted | 0.01 | 0.02 |
| Weighted average number of shares outstanding – basic and diluted | 587,583,728 | 222,292,740 |

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RESTATED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY

| | Common Shares | Share Capital | Contributed Surplus | AOCI | Deficit | Total Shareholders' Deficit |
|--|------------------|---------------|------------------------|-------------|--------------|-----------------------------------|
| | # | \$ | \$ | \$ | \$ | \$ |
| Balance at February 1, 2020 | 222,292,740 | 20,007,626 | 2,783,315 | (1,535,032) | (20,260,356) | 995,553 |
| Currency translation adjustment | - | - | - | 1,866,168 | - | 1,866,168 |
| Loss for the period | - | - | - | - | (5,412,974) | (5,412,974) |
| Balance at April 30, 2020 | 222,292,740 | 20,007,626 | 2,783,315 | 331,136 | (25,673,330) | (2,551,253) |
| Balance at February 1, 2021 | 269,741,758 | 21,794,634 | 3,202,481 | 629,982 | (35,637,779) | (10,010,682) |
| Private placement (Note 10) | 284,944,440 | 8,034,536 | 5,993,764 | - | - | 14,028,300 |
| Shares issued pursuant to Pandion Loan (Notes 7, 10) | 31,909,280 | 1,595,464 | - | - | - | 1,595,464 |
| Shares issued to Lionsbridge as financing costs (Note 10) | 32,380,050 | - | - | - | - | - |
| Currency translation adjustment | - | - | - | (1,777,306) | - | (1,777,306) |
| Loss for the period | - | - | - | - | (3,836,082) | (3,836,082) |
| Balance at April 30, 2021 (Restated – Note 16) | 618,975,528 | 31,424,634 | 9,196,245 | (1,147,324) | (39,473,861) | (306) |

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NOTES TO THE RESTATED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

RESTATED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three months ended April 30, 2021 (Restated – Note 16) | Three months ended April 30, 2020 |
|---|---|---|
| Operating Activities | \$ | \$ |
| Loss for the period | (3,836,082) | (5,412,974) |
| Items not affecting cash: | | |
| Accretion expense | 256,689 | 88,197 |
| Depreciation of property and equipment | 37,450 | 92,862 |
| Revaluation of royalty provision | 590,008 | (500,027) |
| Accretion of loan | 1,937,954 | 1,733,353 |
| Unrealized foreign exchange | (940,980) | 975,577 |
| Revaluation of embedded derivatives | (265,500) | 569,879 |
| Debt restructuring | 1,075,270 | - |
| Interest expense | - | 9,428 |
| | (1,145,191) | (2,443,705) |
| Change in non-cash working capital items: | | |
| Accounts receivable | (232,040) | 412,251 |
| Prepaid expenses | (181,691) | 58,016 |
| Inventory | - | 82,106 |
| Accounts payable and accrued liabilities | (2,938,303) | 171,454 |
| | (3,352,034) | 723,827 |
| Cash provided by (used in) operating activities | (4,497,225) | (1,719,878) |
| Investing Activities | | |
| Property and equipment | (2,613,565) | - |
| Reclamation bond | - | (259) |
| Cash provided by (used in) investing activities | (2,613,565) | (259) |
| Financing Activities | | |
| Proceeds from unit issuance | 14,028,300 | - |
| Issuance of convertible debentures | - | 2,272,750 |
| Convertible debentures principal repayment | (419,378) | - |
| Repayment of loan | (1,275,677) | - |
| Interest on debt | (268,070) | - |
| Cash provided by (used in) financing activities | 12,065,175 | 2,272,750 |
| Effects of exchange rate changes on cash and cash equivalents | (18,959) | 49,566 |
| Net increase in cash and cash equivalents | 4,935,426 | 602,179 |
| Cash at the beginning of the period | 95,531 | 239,064 |
| Cash at the end of the period | 5,030,957 | 841,243 |
| Supplemental Cash Flow Information | | |
| Shares issued to Lionsbridge as financing costs (Note 10) | 1,619,002 | - |
| Shares issued for Pandion payment (Note 7) | 1,595,464 | - |

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NOTES TO THE RESTATED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 Nature of operations and going concern

Otso Gold Corp. ("Otso" or the "Company") is engaged in the development of the Otso Gold Mine in Finland. The Company's common shares trade on the TSX Venture Exchange ("TSXV") under the symbol "OTSO" and is incorporated and domiciled in Canada.

The Company announced on March 8, 2019, that the Otso Gold Mine was to be placed on care and maintenance from pre-commercial production due to operational issues and a lack of sufficient funds to continue production. The effective date of care and maintenance was April 1, 2019. On February 8, 2021, upon completion of the financing with Brunswick Gold Ltd. ("Brunswick") (Note 10), the Company recommenced its development activities to get the Otso Gold Mine ready again for pre-commercial production. The mining development expenses during the period from April 1, 2019 to February 8, 2021 were expensed as care and maintenance costs (Note 11) but from February 8, 2021 onwards have been capitalized as development costs of the Company's Otso Gold Mine within property, plant and equipment (Note 4).

These unaudited condensed interim consolidated financial statements ("Financial Statements") are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. The Company has incurred operating losses since inception and currently is incurring negative cash flows from operating activities. In order to continue as a going concern, the Company must generate sufficient operating cash flows, secure additional capital or otherwise pursue a strategic restructuring, refinancing or other transactions to provide it with additional liquidity.

Several adverse conditions and material uncertainties cast significant doubt upon the going concern assumption. During the three months ended April 30, 2021, the Company incurred net cash outflows from operating activities of \$4,497,225 (2020: \$1,719,878) and investing activities of \$2,613,565 (2020: \$259). As at April 30, 2021, the Company had a working capital deficiency of \$31,636,849 (January 31, 2021: \$41,063,569). There can be no assurances that sufficient funding, including adequate financing, will be available to maintain the Otso Gold Mine and to cover general and administrative expenses necessary for the maintenance of a public company for at least twelve months.

During the year ended January 31, 2021, the Company raised \$3,439,250 and \$807,500 through the issuance of debt and equity respectively.

During the three months ended April 30, 2021, Otso completed a financing with Brunswick Gold Ltd. for a strategic investment of US\$11 million in the Company (Note 10).

To date the Company has been able to raise the requisite financings but there can be no guarantee that the Company will be able to continue to secure additional financing in order to be able to continue operations for the foreseeable future, and if so, on terms that are favorable.

Realization values may be substantially different from carrying values as shown in these Financial Statements. These Financial Statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

The novel coronavirus ("COVID-19") has caused many countries to implement measures to reduce the spread of the virus. In Finland, on March 16, 2020, the Government issued a decree on implementing the Emergency Power Act that closed the country's borders, limited transportation within the country, and required most people to work from their homes. As at the date of these Financial Statements, the office closures and staff

NOTES TO THE RESTATED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

reductions are still in effect. The effect and duration of COVID-19 and government responses to it are unknown. Consequently, management anticipates, but cannot predict the effect of unknown adverse changes to its business plans, financial position, cash flows, and results of operations during 2021 and beyond.

2 Basis of preparation

Statement of compliance

These Financial Statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, and based on the principles of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These Financial Statements should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ended January 31, 2021, which include all of the Company’s significant accounting policies, and have been prepared in accordance with the same methods of application.

These Restated Financial Statements were authorized for issue by the Board of Directors of the Company on September 24, 2021.

Basis of measurement

These Financial Statements have been prepared on a historical cost basis except for the derivative liabilities. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information. The Financial Statements are presented in Canadian dollars, unless otherwise stated.

Significant accounting estimates and judgements

In the application of the Company’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in which the estimates are revised and in any future periods affected.

In preparing these Financial Statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended January 31, 2021.

3 Inventory

Inventory consists of parts and supplies, including priority spares and maintenance consumables for the mine site. As at April 30, 2021, inventory is \$2,225,095 (January 31, 2021 - \$2,332,606).

OTSO GOLD CORP.**APRIL 30, 2021***Canadian Dollars**(Unaudited, Prepared by Management)***NOTES TO THE RESTATED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****4 Property, plant and equipment**

| | Land | Connection fees | Buildings | Mineral properties and machinery equipment | Total |
|------------------------------------|------------------|--------------------|------------------|--|-------------------|
| Cost or Deemed Cost | \$ | \$ | \$ | \$ | \$ |
| Balance at January 31, 2020 | 2,594,840 | 2,243,942 | 6,360,362 | 41,215,344 | 52,414,488 |
| New ARO estimate | - | - | - | (141,253) | (141,253) |
| Depreciation | - | - | (1,202,946) | (183,680) | (1,386,626) |
| Currency translation adjustment | 89,996 | 77,826 | 178,873 | 1,418,188 | 1,764,883 |
| Balance at January 31, 2021 | <u>2,684,836</u> | <u>2,321,768</u> | <u>5,336,289</u> | <u>42,308,599</u> | <u>52,651,492</u> |
| Additions (Note 1) | - | - | - | 1,379,318 | 1,379,318 |
| Depreciation | - | - | (6,397) | (31,053) | (37,450) |
| Currency translation adjustment | (121,923) | (105,435) | (242,039) | (1,982,532) | (2,451,929) |
| Balance at April 30, 2021 | <u>2,562,913</u> | <u>2,216,333</u> | <u>5,087,853</u> | <u>41,674,332</u> | <u>51,541,431</u> |

5 Reclamation bonds

The reclamation bonds represent cash of \$5,727,243 (January 31, 2021 - \$5,094,528) that has been placed in trust as security to the appropriate government entity relating to the Company's site closure obligations in Finland. The total reclamation deposits were for government reclamation bonds for the Otso Gold Mine project and a deposit held for the Finnish Safety and Chemical Agency. These security deposits were posted with a Finnish financial institution.

A security deposit of \$37,500 (January 31, 2021 - \$37,500) was made in favour of the BC Ministry of Energy and Mines prior to commencement of surface work on the Sheslay Project. A security deposit for this amount was posted with a Canadian financial institution.

6 Loan

During October 2020, the Company entered into a loan agreement with Amalgam Rail Management Ltd. ("Amalgam") for a principal amount of USD\$1,000,000 bearing interest at 7% per annum and repayable, together with accrued interest, on April 20, 2021. On February 8, 2021, the Company repaid the loan which included accrued interest of \$26,769.

7 Pandion Loan

The Company is party to a loan agreement ("Pandion Loan") with Pandion Mine Finance through their subsidiary PFL Raahe Holdings LP ("Pandion"), the key commercial terms of which are as follows:

- Payments of:
 - USD\$1.56 million payable in common shares of the Company upon reaching certain financing milestones;
 - Pursuant to this, during the year ended January 31, 2021, the Company issued 8,496,320 common shares to Pandion and settled US\$328,174 (\$424,816) of this amount. The remaining obligation of USD\$1,231,826 (\$1,595,464) was settled

OTSO GOLD CORP.**APRIL 30, 2021***Canadian Dollars**(Unaudited, Prepared by Management)***NOTES TO THE RESTATED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

during the period ended April 30, 2021 through the issuance of 31,909,280 common shares (Note 10) and recognized as cost for debt restructuring.

- USD\$11.5 million due in March 2021 (see below); and
- USD\$11.5 million due in September 2021 (see below).

On December 13, 2020, the Company renegotiated the Pandion Loan for the entire outstanding balance of USD\$23 million to be paid on or prior to December 7, 2021. As a condition for the extension, the Company will accrue interest from the date of the completion of the financing from Brunswick Gold Ltd. through to December 7, 2021 at a rate of 15% per annum. The financing from Brunswick Gold Ltd. was completed on February 8, 2021 (Note 10). As a result of the modification of the Pandion Loan, the Company recognized an income from debt restructuring of \$419,757.

Pandion is also entitled to a 2.5% net smelter return ("Royalty Provision") on gold production from the Otso Gold Mine.

The Royalty Provision is considered to be a derivative to be recognized on the statement on financial position at fair value. The Pandion Loan of USD\$23 million is a financial liability carried at amortized cost.

The continuity of the Pandion Loan and the Royalty Provision was as follows:

| Pandion Loan | \$ |
|--------------------------------|--------------|
| Balance, January 31, 2020 | 18,759,159 |
| Accretion | 7,830,914 |
| Foreign translation adjustment | (994,965) |
| Balance, January 31, 2021 | 25,595,108 |
| Loan modification | (419,757) |
| Interest | (956,619) |
| Accretion | 1,937,954 |
| Foreign translation adjustment | (940,095) |
| Balance, April 30, 2021 | 25,216,591 |
| Less, current portion | (25,216,591) |
| Non-current portion | - |
| Royalty provision | \$ |
| Balance, January 31, 2020 | 13,179,801 |
| Change in fair value | (1,064,283) |
| Balance, January 31, 2021 | 12,115,518 |
| Change in fair value | 590,008 |
| Balance, April 30, 2021 | 12,705,526 |
| Less, current portion | (2,404,621) |
| Non-current portion | 10,300,905 |

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As at April 30, 2021, significant inputs used in the valuation of the royalty provision were as follows:

| | |
|---------------------------------|---------|
| Average monthly ounces of gold | 7,751 |
| Total months of gold production | 112 |
| Average gold price in USD | \$1,796 |
| Average exchange rate USD/CAD | 1.24 |
| Discount factor | 93% |

8 Convertible debentures

During the year ended January 31, 2018, the Company issued in total \$419,000 of convertible debentures. The debentures were unsecured, bear interest at 9% per annum, were due on June 30, 2020 and convertible into common shares of the Company at \$0.10 per share. The conversion feature of the convertible debenture was accounted for as an embedded derivative. The principal amount was repaid during the period ended April 30, 2021.

During March 2020, the Company closed a non-brokered private placement of convertible debentures with face value of \$4,671,250, discounted 20%, for total proceeds of \$3,665,450. Of these convertible debentures, \$1,532,700 (EUR 1 million) were issued as payment towards an existing payable to Tallqvist Infa OY ("Tallqvist") (Note 13). Debentures totalling face value of \$2,715,375 were issued to Pandion for proceeds of \$2,100,750. Pandion is considered to be a related party to the Company due to its holdings of the Company's common shares (Note 10).

These unsecured debentures bear interest at 10% per annum and are convertible into common shares of the Company at a price equal to the greater of \$0.10 per share and the conversion date closing market price less a 20% discount. These debentures are due on March 26, 2023. The Company has an option of paying any interest due in common shares of the Company, with the number of such common shares being dependent on their market value on the date prior to the interest payment. Otso also has a right to redeem the debentures at their face value plus any accrued but unpaid interest prior to the maturity date.

During the year ended January 31, 2021, a total of 4,671,250 common shares, with fair value of \$186,850, were issued to related parties as finders fees for these convertible debentures.

During the period ended April 30, 2021, the Company paid interest of \$241,301 on its convertible debentures.

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As at April 30, 2021, the total value of convertible debentures recognized was \$3,963,969, comprised of the value of the conversion option derivative of \$869,157 and the debentures of \$3,094,812. A continuity of the debentures and the conversion option derivative was as follows:

| | Debentures | Conversion Option Derivative | Total |
|-----------------------------------|-------------------|---|------------------|
| | \$ | \$ | \$ |
| Balance, beginning of the period | 3,363,813 | 1,134,657 | 4,498,470 |
| Accretion | 267,160 | - | 267,160 |
| Interest | (116,783) | - | (116,783) |
| Repayment | (419,378) | - | (419,378) |
| Adjustment to fair value | - | (265,500) | (265,500) |
| Balance, end of the period | 3,094,812 | 869,157 | 3,963,969 |

The fair value of the conversion option derivatives was determined using the Black-Scholes option pricing model with the following assumptions:

| | |
|--|-------------------------|
| Risk free interest rate | 0.29% |
| Expected dividend yield | 0.00% |
| Conversion price | \$0.05 |
| Expected stock price volatility (calculated monthly) | 106% |
| Expected option life | Based on remaining term |

9 Decommissioning and rehabilitation provision

| | April 30, 2021 |
|-------------------------------------|---------------------------|
| | \$ |
| Balance, beginning of period | 11,966,577 |
| New estimate | - |
| Foreign exchange | (551,348) |
| Accretion expense | (10,471) |
| Balance, end of period | 11,404,758 |

10 Share capital**a) Authorized**

The Company is authorized to issue an unlimited number of common shares without par value.

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b) Issued or allotted and fully paid

As at April 30, 2021, the Company had 618,975,528 (January 31, 2021 – 269,741,758) common shares outstanding.

Three months ended April 30, 2021

On February 8, 2021, the Company completed a financing with Brunswick for a strategic investment of US\$11 million in the Company. Pursuant to this financing, Brunswick Gold was issued 284,944,440 units of the Company at a price of \$0.05 per unit. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Of the total proceeds of US\$11 million, US\$4.7 million was allocated to the share purchase warrants and US\$6.3 million was allocated to the common shares.

Upon closing of the financing, at a price of \$0.05 per common share, Lionsbridge Pty Ltd (“Lionsbridge”) and Pandion were issued 32,380,050 and 31,909,280 common shares of the Company valued at \$1,619,002 and \$1,595,464 respectively. The issuance of these common shares to Pandion fully settled the US\$1.56 million payment to Pandion pursuant to the Pandion Loan (Note 7).

After completion of this financing, on a non-diluted basis, Brunswick owns 46.03% of the outstanding common shares of the Company whereas Lionsbridge and Pandion own 13.38% and 12.79%, respectively. All three parties are considered related parties to the Company.

c) Stock options

Under the Company's stock option plan, the Company may grant stock options to its directors, officers, consultants, and employees. Options granted under this plan may expire up to ten years from the date of grant.

There was no stock option activity during the three-month periods ended April 30, 2020 and 2021.

Details of stock options outstanding as at April 30, 2021 are as follows:

| Date of grant | Expiry date | Exercise price | Outstanding and exercisable |
|--------------------|--------------------|----------------|-----------------------------|
| | | \$ | # |
| June 27, 2018 | June 27, 2023 | 0.15 | 300,000 |
| July 6, 2018 | July 6, 2023 | 0.14 | 250,000 |
| September 20, 2019 | September 19, 2024 | 0.05 | 2,100,000 |
| June 11, 2020 | June 11, 2025 | 0.08 | 1,550,000 |
| | | | <u>4,200,000</u> |

d) Warrants

As at April 30, 2021, the Company had 301,650,851 (January 31, 2021 – 16,706,411) warrants outstanding with a weighted average exercise price of \$0.05 (January 31, 2021 – \$0.08) and a weighted average remaining life of 4.72 years (January 31, 2021 – 3.94 years).

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Three months ended April 30, 2021

On February 8, 2021, the Company issued 284,944,440 warrants to Brunswick. Each warrant entitles Brunswick to one common share of the Company, exercisable at \$0.05 per share expiring on February 8, 2026. The fair value of the warrants was calculated to be \$5,993,764 (US\$4.7 million).

Warrant Activity is summarized below:

| Warrant activity | April 30, 2021 | Weighted average exercise price | January 31, 2021 | Weighted average exercise price |
|--------------------------------|--------------------|--|---------------------|--|
| | # | \$ | # | \$ |
| Balance – beginning of period | 16,706,411 | 0.08 | 9,650,000 | 0.14 |
| Issued | 284,944,440 | 0.05 | 16,706,411 | 0.08 |
| Exercised | - | - | (9,650,000) | 0.13 |
| Balance – end of period | 301,650,851 | 0.05 | 16,706,411 | 0.08 |

Details of warrants outstanding as at April 30, 2021 are as follows:

| Date of grant | Expiry date | Exercise price | Outstanding and exercisable |
|--------------------|--------------------|-------------------|-----------------------------------|
| | | \$ | # |
| June 2, 2020 | June 2, 2025 | 0.096 | 3,333,334 |
| June 5, 2020 | June 5, 2025 | 0.096 | 1,750,000 |
| July 17, 2020 | July 27, 2025 | 0.06 | 5,400,000 |
| July 28, 2020 | July 28, 2021 | 0.09 | 2,223,077 |
| September 24, 2020 | September 24, 2025 | 0.07 | 4,000,000 |
| February 8, 2021 | February 8, 2026 | 0.05 | 284,944,440 |
| | | | 301,650,851 |

The fair value of the warrants was estimated using the Black-Scholes Model with the following weighted-average assumptions:

| | April 30, 2021 | January 31, 2021 |
|--|-------------------|---------------------|
| Risk free interest rate | 0.50% | 0.36% |
| Expected dividend yield | 0.00% | 0.00% |
| Stock price | \$0.05 | \$0.07 |
| Expected stock price volatility (calculated monthly) | 102% | 106% |
| Expected warrant life in years | 5 years | 5 years |
| Forfeiture rate | 0.00% | 0.00% |
| Fair value on date of grant | \$0.04 | \$0.05 |

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11 Care & maintenance costs

Care and maintenance costs are broken down as follows:

| | Three months ended April 30, 2021 | Three months ended April 30, 2020 |
|--|--|--|
| | \$ | \$ |
| Depreciation of property and equipment | 37,450 | 92,862 |
| Equipment rentals | 25,370 | 54,033 |
| Salaries and wages | 18,512 | 903,939 |
| Utilities | - | 38,796 |
| Office and general | - | 196,457 |
| Legal and professional fees | - | 23,110 |
| Mining services including demobilization | - | 332,884 |
| Travel | - | 600 |
| Vehicle costs | - | 2,646 |
| Telephone costs | - | 828 |
| | 81,332 | 1,646,155 |

12 Related party transactions

Related party transactions not described elsewhere in these Financial Statements are summarized below.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consists of members of the Company's Board of Directors and the Company's Chief Executive Officer and Chief Financial Officer.

Consulting fees, director fees, management fees, and other employment benefits, pursuant to service agreements for the three months ended April 30, 2021 were \$389,658 (2020 – \$413,755), of this amount, \$200,046 was capitalized to Mineral properties and machinery equipment and the balance of \$189,612 was included in operating expenses.

As at April 30, 2021, an amount of \$608,083 (January 31, 2021 - \$1,067,090) was included in accounts payable and accrued liabilities, representing amounts owing to directors and officers of the Company. Any amounts owing at any time to key management personnel are unsecured, non-interest bearing, and due on demand.

13 Commitments and contingencies

- Tallqvist, the company hired by Otso Gold Oy to mine the ore at the Otso Gold Mine had, on April 17, 2019, submitted a bankruptcy application with the District Court of Oulu. Otso Gold Oy rejected the bankruptcy application as being without merit as the bankruptcy requirements as set out in Finnish law had not been fulfilled. The bankruptcy application related to a civil claim filed by Tallqvist on April 23, 2019 with the District Court of Oulu. The amount of the claim was EUR 6,900,898 with penalty interest at

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8% and legal costs ("Tallqvist Debt"). During July 2019, Tallqvist and the Company entered into a settlement agreement which included a payment schedule for EUR 6,900,898 plus interest on the Tallqvist Debt through to September 2020. As at April 30, 2021, the Company has paid EUR 1,876,213 and settled EUR 1,000,000 by issuance of a convertible debenture to Tallqvist as additional payment towards the settlement amount of the Tallqvist Debt (Note 8).

During December 2020, the Company and Tallqvist entered into a second amendment agreement whereby, upon closing of the financing with Brunswick Gold Ltd. (Note 10), Otso agreed to make various payments to Tallqvist as follows:

- All outstanding interest on the convertible debentures (Note 8);
- A lump sum payment of the accrued interest on the Tallqvist Debt of EUR 275,000 (paid on February 18, 2021);
- Interest payment of 3%, out of the total interest of 8% on the Tallqvist Debt, to be made on a monthly basis starting February 2021 with the remaining 5% to be paid together with the Tallqvist Debt; and
- The Tallqvist Debt to be paid in its entirety on December 7, 2021.

The Company's management believes that all of the terms of the Tallqvist Debt have been met to date.

- b) Former employees of Otso Gold Oy have filed lawsuits claiming unlawful dismissal. The claims are demanding EUR 513,513 as compensation along with penalty interest and legal costs. The claim is currently pending before the District Court of Oulu and there is a risk that the court may accept at least part of the claim, however, Otso Gold Oy rejects the claims as being without merit.
- c) In conjunction with the management agreement between the Company and Lionsbridge, (a company controlled by two directors of the Company), Lionsbridge is entitled to receive a fee equal to 12.5% (payable in shares of the Company, less any shares issued as finders fee thereon) of any equity or debt financing that the Company completes.

During the three months ended April 30, 2021, the Company issued to Lionsbridge 32,380,050 common shares of the Company in conjunction with the financing with Brunswick Gold Ltd. (Note 10).

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14 Segment disclosure

The Company has one reportable segment, being the acquisition and exploration of gold resource properties. The following table provides segmented disclosure of assets and liabilities based on geographic location:

| | Americas | Europe | Total |
|-----------------------------------|---------------------|---------------------|---------------------|
| April 30, 2021 | \$ | \$ | \$ |
| Current assets | 4,590,758 | 3,628,706 | 8,219,464 |
| Non-current assets | | | |
| Other non-current assets | 37,500 | 5,727,243 | 5,764,743 |
| Property and equipment | - | 51,541,431 | 51,541,431 |
| Exploration and evaluation assets | 1 | - | 1 |
| Liabilities | | | |
| Current Liabilities | (30,272,668) | (9,583,645) | (39,856,313) |
| January 31, 2021 | | | |
| Current assets | 139,734 | 2,865,420 | 3,005,154 |
| Non-current assets | | | |
| Other non-current assets | 37,500 | 5,057,028 | 5,094,528 |
| Property and equipment | - | 52,651,492 | 52,651,492 |
| Exploration and evaluation assets | 1 | - | 1 |
| Liabilities | | | |
| Current Liabilities | (31,700,805) | (12,367,918) | (44,068,723) |

15 Subsequent events

The Company performed a review of events subsequent to the balance sheet date and no such events require recognition or disclosure in the financial statements.

16 Restatement of Financial Statements

Subsequent to the issuance of the Company's unaudited condensed interim consolidated financial statements for the three months ended April 30, 2021, the management of the Company determined that an accounting error had been made as the Company's Otso Gold Mine was no longer in care and maintenance as of February 8, 2021 (Note 1) as it had entered into the development phase. As a result, the Company restated its unaudited condensed interim consolidated financial statements as at April 30, 2021 and for the three months ended April 30, 2021 to reflect amounts incurred subsequent to February 8, 2021 (and previously recorded as care and maintenance expenses and other categories within the Company's statement of loss and comprehensive loss) as additions to the property, plant and equipment. As required, the Company performed an impairment test with no impairment required.

The effect of this restatement on the Company's unaudited condensed interim consolidated financial statements for the three months ended April 30, 2021 is summarized as follows:

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| Consolidated Statements of Financial Position | | Previously reported | Adjustment | Restated |
|---|----|----------------------------|--------------------|------------------|
| Property, plant and equipment | \$ | 49,891,199 | 1,650,232 | 51,541,431 |
| Consolidated Statements of Loss and Comprehensive Loss | | | | |
| For the three months ended April 30, 2021 | | | | |
| Care and maintenance costs | \$ | 1,852,680 | (1,771,348) | 81,332 |
| Management and consulting | | 389,658 | (200,046) | 189,612 |
| Professional fees | | 196,905 | 100,768 | 297,673 |
| Marketing and administration | | 261,546 | 188,599 | 450,145 |
| Currency translation adjustment | | 1,745,511 | 31,795 | 1,777,306 |
| | | <u>4,446,300</u> | <u>(1,650,232)</u> | <u>2,796,068</u> |

The Company also reclassified \$1,379,318 of cash spent on development activities since February 8, 2021, from operating activities to investing activities in its consolidated statement of cash flows for the three months ended April 30, 2021.

There was no impact on the Company's loss per share incurred during the three months ended April 30, 2021, as a result of this correction of error.