

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

(Expressed in Canadian Dollars)

Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2021 and 2020

Index

NOTICE OF NON-REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Statements of Financial Position

Statements of Operations and Comprehensive Loss

Statements of Cash Flows

Statements of Changes in Shareholders' Equity (Deficit)

Notes to the Condensed Interim Consolidated Financial Statements

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 six months ended June 30, 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
(Expressed in Canadian Dollars)

	Note	June 30, 2021	December 31, 2020
Assets			
Current assets:			
Cash		\$ 16,668,354	\$ 7,231,563
GST and VAT receivable		157,153	330,831
Prepaid expense and deposits		220,718	80,430
		\$ 17,046,225	\$ 7,642,824
Liabilities and Shareholders' Equity (Deficit)			
Current liabilities:			
Accounts payable and accrued liabilities	5	\$ 1,088,889	\$ 985,857
Flow-through premium liability		301,379	857
		1,390,268	986,714
Shareholders' equity (deficit):			
Capital stock	6	33,148,464	18,721,062
Reserves	6	1,638,069	1,257,816
Deficit	6	(19,130,576)	(13,322,768)
		15,655,957	6,656,110
		\$ 17,046,225	\$ 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

(Expressed in Canadian Dollars)

	Note	3 months Ended June 30, 2021	3 months Ended June 30, 2020	6 months Ended June 30, 2021	6 months Ended June 30, 2020
Expenses					
Exploration and evaluation	4, 9	\$ 2,501,544	\$ 270,077	\$ 4,986,246	\$ 1,507,676
Investor relations		106,255	140,951	163,645	454,437
Consulting	9	358,722	68,399	529,348	135,709
Professional fees		(318,145)	7,848	117,344	55,563
Transfer agent and filing fees		47,430	19,125	150,054	28,791
Foreign exchange loss (gain)		23,389	(11)	34,882	24,229
Rent	9	21,717	18,993	36,085	23,794
General and administrative		13,646	15,212	34,759	23,672
Share-based compensation	6, 9	41,649	-	92,040	-
Travel and promotion		2,462	1,998	4,618	3,850
		(2,798,669)	(542,592)	(6,149,021)	(2,257,721)
Other items					
Amortization of flow- through premium liability		229,317	1,167	286,978	6,565
Deferred income tax		65,526	-	-	-
Interest income		32,246	4,949	54,235	17,215
		327,089	6,116	341,213	23,780
Loss and comprehensive loss for the period					
		(2,471,580)	(536,476)	(5,807,808)	(2,233,941)
Loss per share – basic and diluted					
		\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.02)
Weighted average number of common shares outstanding					
– basic and diluted		239,502,654	119,975,302	222,884,587	116,746,154

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 Six Months Ended June 30,

(Expressed in Canadian Dollars)

	2021	2020
OPERATING ACTIVITIES		
Loss for the period	\$ (5,807,808)	\$ (2,233,941)
Items not involving cash		
Amortization of flow-through premium liability	(286,978)	(6,565)
Foreign exchange loss	34,882	-
Share-based compensation	92,040	-
Shares issued for net smelter royalty buyback	-	73,125
Change in non-cash working capital items:		
Accounts payable and accrued liabilities	68,150	(1,932)
Prepaid expense and deposits	(140,288)	(45,884)
Sales tax receivable	173,678	(25,637)
	(5,866,324)	(2,240,834)
FINANCING ACTIVITIES		
Proceeds from private placement	15,009,000	1,134,390
Private placement shares issuance costs	(1,291,245)	(28,975)
Proceeds from options exercised	107,750	6,000
Proceeds from warrants exercised	1,477,610	570,150
	15,303,115	1,681,565
Increase (decrease) in cash	9,436,791	(559,269)
Cash, beginning of the period	7,231,563	3,780,176
Cash, end of the period	\$ 16,668,354	\$ 3,220,907
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	\$ -	\$ 49,111
Flow through premium liability	\$ 587,500	\$ 128,161
Fair value of brokers' warrants	\$ 382,368	\$ 3,894
Fair value transfer of options exercised	\$ 62,077	\$ 2,394
Share issuance cost allocated to reserves	\$ 32,078	\$ -

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)

(Expressed in Canadian Dollars)

	Capital Stock				Total shareholders' equity (deficit)
	Shares	Amount	Reserves	Deficit	
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
Private placements	11,143,000	1,134,390	-	-	1,134,390
Share issuance costs – cash	-	(28,975)	-	-	(28,975)
Share issuance costs – finders' warrants	-	(3,894)	3,894	-	-
Warrants exercised	4,751,250	570,150	-	-	570,150
Options exercised	75,000	8,394	(2,394)	-	6,000
Flow-through premium	-	(128,161)	-	-	(128,161)
Loss for the period	-	-	-	(2,233,941)	(2,233,941)
Balance at June 30, 2020	126,136,599	\$ 12,456,711	\$ 1,310,042	\$ (10,696,535)	\$ 3,070,218
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	-	(1,291,245)	-	-	(1,291,245)
Share issuance costs – brokers' warrants	-	(382,368)	382,368	-	-
Share issuance cost allocated to reserves	-	32,078	(32,078)	-	-
Share-based compensation	-	-	92,040	-	92,040
Warrants exercised	11,418,500	1,477,610	-	-	1,477,610
Options exercised	800,000	169,827	(62,077)	-	107,750
Flow-through premium	-	(587,500)	-	-	(587,500)
Loss for the period	-	-	-	(5,807,808)	(5,807,808)
Balance at June 30, 2021	241,211,352	\$ 33,148,464	\$ 1,638,069	\$ (19,130,576)	\$ 15,655,957

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 Six Months Ended June 30, 2021 and 2020

(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 August 24, 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 and statement of compliance

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 Six Months Ended June 30, 2021 and 2020

(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:

	June 30, 2021	June 30, 2020
LK Project:		
Acquisition costs – Net Smelter Royalty ("NSR") buyback	\$ -	\$ 127,825
Assays and surveying	584,226	402,040
Drilling	1,624,800	271,953
Equipment rental	14,310	6,542
Field costs	243,604	44,951
Geological consulting	599,716	189,617
Mobilization/demobilization	-	44,312
Permits / Reservations	96,705	190,584
Report	-	36,634
Travel and support	75,267	82,365
	3,238,628	1,396,823
Tyko Project:		
Assays and surveying	484,796	2,910
Drilling	196,683	-
Equipment rental	25,847	4,011
Field costs	133,220	2,840
Geological consulting	47,520	23,278
Mobilization/demobilization	96,158	-
Staking and line cutting	8,300	5,820
Travel and support	2,361	1,764
	994,885	40,623

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

4. Exploration and evaluation expenditures (continued)

	June 30, 2021	June 30, 2020
Disraeli Project:		
Acquisition cost of Disraeli	-	5,000
Assays and surveying	50,034	45,636
Drilling	134,733	-
Equipment rental	181,779	1,941
Field costs	131,841	432
Geological consulting	148,275	1,026
Mobilization/demobilization	86,051	5,967
Report	8,235	7,184
Staking and line cutting	-	660
Travel and support	11,785	2,384
	752,733	70,230
	\$ 4,986,246	\$ 1,507,676

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.

As at June 30, 2021, a number of claims were in the Exploration Permit, Reservation and Exploraton Permit application stages. The Company holds Exploration Permits for its planned activities.

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 KS reservation was acquired by staking on April 2, 2020.

Tyko Project

The Tyko Project, located in Northwestern Ontario, is a nickel (Ni), copper (Cu), platinum-group element (PGE) project. The Company holds a 100% interest in the property, which comprises 173 single cell mining claims.

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 6, 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.

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

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:

	June 30, 2021	December 31, 2020
Accounts Payable	\$ 927,463	\$ 961,991
Accrued Liabilities	161,426	23,866
	<u>\$ 1,088,889</u>	<u>\$ 985,857</u>

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 six months ended June 30, 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 June 30, 2021, the Company recognized share-based compensation expense related to the RSU in the amount of \$36,155.

Warrants exercised

During the six months ended June 30, 2021, 11,418,500 shares were issued upon exercise of warrants for net proceeds of \$1,477,610.

Options exercised

During the six months ended June 30, 2021, 800,000 shares were issued upon option exercise for net proceeds of \$107,750. In connection with the issuance, a total of \$62,077 was reallocated from reserves to capital stock.

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended June 30, 2021 and 2020

(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 Haukiaho 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.

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

6. Capital stock and reserves (continued)

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	(11,418,500)	\$0.13
Expired	(400,000)	\$0.12
Outstanding warrants, June 30, 2021	28,829,496	\$0.43

As at June 30, 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
10/18/2021	150,000	0.30	\$0.12
12/02/2021	812,496	0.42	\$0.20 ¹
12/02/2021	91,000	0.42	\$0.20 ¹
02/24/2023	21,550,000	1.65	\$0.45
02/24/2023	3,250,000	1.65	\$0.45
02/24/2023	2,586,000	1.65	\$0.29
02/24/2023	90,000	1.65	\$0.34
02/24/2023	300,000	1.65	\$0.40
	28,829,496	0.40	\$0.43

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

During the six months ended June 30, 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

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

6. Capital stock and reserves (continued)

Restricted Share Unit Plan

The Company has established a Restricted Share Unit (“RSU”) Plan that provides for the issuance of RSUs enabling the directors to grant RSUs 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 and/or RSUs provided that the total number of shares reserved for issuance by the Board shall not exceed 23,300,000. RSUs are non-assignable and may be granted for a term not exceeding three years. RSUs issued are subject to up to a 3-year vesting terms. On March 15, 2021, 1,275,862 RSUs (2020 – nil) were issued to directors, officers, consultants and advisors, having a 3-year vesting period.

The number of RSUs are as follows:

	Number of RSUs
Outstanding RSUs, December 31, 2020 and 2019	-
Granted	1,275,862
Outstanding RSUs, June 30, 2021	1,275,862

As at June 30, 2021, the Company has outstanding RSUs as follows:

Expiry date (mm/dd/yyyy)	Number of RSUs outstanding	Weighted average remaining life in years
03/15/2024	1,275,862	2.71

Stock Option Plan

The Company has established a Stock Option Plan that provides for the issuance of stock options (the “Options”) 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 and/or RSUs provided that the total number of shares reserved for issuance by the Board shall not exceed 23,300,000. Options are non-assignable and may be granted for a term not exceeding that permitted by the Exchange, currently ten years. Options issued are subject to vesting terms. During the six months ended June 30, 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 six months ended June 30, 2020.

Share-based payments relating to options vested during the period ended June 30, 2021 using the Black-Scholes option pricing model was \$55,885 (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

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

6. Capital stock and reserves (continued)

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	(800,000)	\$0.13
Expired	(287,500)	\$0.30
Outstanding options, June 30, 2021	8,425,000	\$0.14

As at June 30, 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	2,225,000	2.94	\$0.08	2,225,000
09/30/2024	1,000,000	3.25	\$0.08	1,000,000
12/29/2024	4,425,000	3.50	\$0.15	4,425,000
03/15/2026	775,000	4.71	\$0.29	775,000
	8,425,000	3.00	\$0.14	9,700,862

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:

	June 30, 2021	December 31, 2020
Cash	\$ 16,668,354	\$ 7,231,563
GST and VAT receivable	157,153	330,831
Accounts payable and accrued liabilities	1,088,889	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

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

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

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	\$ 16,668,354	\$ -	\$ -	\$ 16,668,354

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 June 30, 2021, the Company's receivables consist of sales tax receivable due from the Government of Canada and Finland of \$157,153 (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 June 30, 2021, the Company had a cash balance of \$16,668,354 (December 31, 2020 - \$7,231,563) to settle current liabilities of \$1,390,268 (December 31, 2020 - \$986,714). However, the Company has an accumulated deficit of \$19,130,576 (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.

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 June 30, 2021, the Company held the Canadian dollar equivalent of \$680,806 (December 31, 2020 - \$236,417) in cash, and \$793,750 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 \$11,300 (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 June 30, 2021, the Company is not exposed to significant interest rate risk.

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

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 six months ended June 30, 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.

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:

	Six months ended		Six months ended	
		June 30, 2021		June 30, 2020
Salaries, consulting and management fees ⁽¹⁾	\$	273,500	\$	120,700
Exploration and evaluation ⁽²⁾		520,104		188,361
Share based compensation ⁽³⁾		55,109		-
Total remuneration	\$	848,713	\$	309,061

(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,
- 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.
- 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) Fladgate Exploration Limited 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 and RSUs granted to directors and officers.

PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

9. Related party transactions (continued)

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

As at June 30, 2021, the Company owed \$43,162 (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 six months ended June 30, 2021, the Company paid \$18,000 (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 six months ended June 30, 2021, there were no events to disclose.