

MOSAIC MINERALS CORP.

FINANCIAL STATEMENTS

**For the three-month periods ended
March 31, 2023 and 2022
(Expressed in Canadian Dollars)**

NOTICE TO READERS OF INTERIM FINANCIAL STATEMENTS:

The Interim Financial Statements unaudited of Mosaic Minerals Corp. for the three-month period ended March 31, 2023, were not audited by a firm of external auditors.

(s) Jonathan Hamel
President and Chief Executive
Officer

MOSAIC MINERALS CORP.
STATEMENTS OF FINANCIAL POSITION
(In Canadian dollars)

	March 31, 2023	December 31, 2022
	(Unaudited)	(Audited)
	\$	\$
ASSETS		
Current		
Cash (Note 5)	1,177,827	1,131,687
Sales taxes receivable	48,307	39,591
Other receivables (Note 5 and 6)	-	75,200
Prepaid expense	63,510	105,000
Total Current Assets	1,289,643	1,351,478
Non-current Assets		
Exploration and evaluation assets (Note 6)	1,603,598	1,421,398
Total Assets	2,893,241	2,772,876
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities		
Trade and other payables	50,171	92,303
Flow through share premium liability (Note 11)	155,381	214,215
Total Liabilities	205,552	306,518
Shareholders' Equity		
Share capital (Note 7)	5,026,081	4,514,431
Contributed surplus (Note 7)	774,557	630,742
Deficit	(3,112,949)	(2,678,815)
Total Equity	2,687,689	2,466,358
Total Liabilities and Shareholders' Equity	2,893,241	2,772,876

Nature of operations and going concern – Note 1
Contingencies and commitments – Note 10

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the board:

“Éric Beauchesne”
Eric Beauchesne, Director

“Luc Gervais”
Luc Gervais, Director

MOSAIC MINERALS CORP.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited, in Canadian dollars)

	For the three-month periods ended	
	March 31, 2023	March 31, 2022
	\$	\$
Expenses		
Management fees (Note 8)	16,500	15,750
Professional fees	38,804	15,000
Consulting fees	26,000	14,460
Filing fees	4,285	2,250
Exploration and evaluation expenditures (Note 6)	235,335	19,386
Share based payments (Note 7)	143,815	-
Office and general	32,822	19,377
	<u>(497,561)</u>	<u>(86,223)</u>
Other items		
Recovery of flow through premium (Note 11)	(58,834)	(7,270)
Gain on debt settlement	-	(1,975)
Finance fee	<u>(4,593)</u>	<u>-</u>
Loss and comprehensive loss for the period	<u>(434,134)</u>	<u>(76,978)</u>
Basic and diluted loss per share	(0,007)	(0.002)
Weighted average number of shares outstanding (basic and diluted)	<u>65,667,464</u>	<u>48,018,500</u>

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

MOSAIC MINERALS CORP.
STATEMENTS OF SHAREHOLDERS' EQUITY
For the three-month periods ended March 31, 2023 and 2022
(Unaudited, in Canadian dollars)

	NUMBER OF SHARES	SHARE CAPITAL	CONTRIBUTED SURPLUS	DEFICIT	TOTAL EQUITY
		\$	\$	\$	\$
Balance, January 1, 2023	63,527,071	4,514,431	630,742	(2,678,815)	2,466,358
Shares issued for property acquisitions	1,450,000	121,000	-	-	121,000
Warrants exercised	3,681,000	381,650	-	-	381,650
Options exercised	100,000	9,000	-	-	9,000
Share based payments	-	-	143,815	-	143,815
Net loss for the three months ended March 31, 2021	-	-	-	(434,134)	(434,134)
Balance, March 31, 2023	68,758,071	5,026,081	774,557	(3,112,949)	2,687,689

	NUMBER OF SHARES	SHARE CAPITAL	CONTRIBUTED SURPLUS	DEFICIT	TOTAL EQUITY
		\$	\$	\$	\$
Balance, January 1, 2022	48,018,500	3,181,317	512,383	(2,015,184)	1,678,516
Net loss for the period	-	-	-	(76,978)	(76,978)
Balance, March 31, 2022	48,018,500	3,181,317	512,383	(2,092,163)	(1,601,536)

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

MOSAIC MINERALS CORP.
STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31, 2023 and 2022
(Unaudited, in Canadian dollars)

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
	\$	\$
Operating Activities		
Loss for the period	(434,134)	(76,978)
Items not involving cash:		
Recovery of flow-through premium	(58,834)	(7,270)
Share-based payments	143,815	-
Gain on debt settlement	-	(1,975)
Changes in operating assets and liabilities:		
Prepaid expense	41,490	-
Sales taxes receivable	(8,715)	87,915
Other receivables	75,200	-
Trade and other payables	(42,132)	(15,403)
Cash flows used in operating activities	(283,311)	(13,711)
Investing activities		
Addition of exploration expenditures and evaluation assets	(61,200)	(10,117)
Cash flows from investing activities	(61,200)	(10,117)
Financing Activities		
Warrants executed	381,650	-
Options executed	9,000	-
Cash flows from financing activities	390,650	-
Net change in cash	46,139	(23,827)
Cash, beginning of the period	1,131,687	598,935
Cash, end of the period	1,177,827	575,109

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

MOSAIC MINERALS CORP.

Notes to Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Unaudited, in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Mosaic Minerals Corp. (the "Company" or "Mosaic") focuses on the exploration of gold and lithium mining sites located in Quebec, Canada. The Company has listed its common shares on the Canadian Securities Exchange ("CSE"). The Company was incorporated under the British Columbia Business Corporations Act on June 21, 2018 with a registered office and principal place of business at 410 St-Nicolas, suite 236, Montreal, Quebec, H2Y 2P5.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The recoverability of the amounts expensed for exploration and resource property evaluation assets are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the evaluation and development of commercially viable reserves, and upon future profitable production or proceeds from the disposition of exploration and evaluation assets.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. As at March 31, 2023, the Company had working capital of \$ 1,084,091 and an accumulated deficit of \$ 3,112,949. These items may cast a significant doubt on the Company's ability to continue as a going concern. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), applicable to financial information as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Functional and presentation currency

The financial statements are presented in Canadian dollars which is the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with maturities within three months held for the purpose of meeting short-term cash commitments rather than for investing purposes. The Company did not have cash equivalents as at March 31, 2023 and December 31, 2022.

b) Exploration property acquisition costs

Costs related to the acquisition of exploration properties are capitalized and deferred until such time as the property is either sold, or put into production. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its recoverable amount.

Costs related to the exploration and evaluation of properties are recognized in profit or loss as incurred, up to the time a decision is made to proceed with the development of the related exploration property due to the existence of economically recoverable reserves. A mineral resource is considered to have economic potential when it is expected that a documented resource can be legally and economically developed considering forecast metal prices.

Incoming option payments, or proceeds from the sale of royalty interests received by the Company are first applied to capitalised costs, with any excess recognized in profit or loss. Tax credits received are applied against the costs that generated the tax credit. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation, and future profitable production or proceeds from the disposition thereof.

c) Provisions and Contingent Liabilities

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related asset.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

MOSAIC MINERALS CORP.

Notes to Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Unaudited, in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the year.

For the years presented the Company has no provisions for environmental rehabilitation.

d) Tax Credits Receivable

The Company is entitled to a refundable tax credit on qualified Quebec exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. Such credits are recognized as a reduction of the exploration expenses. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them. No exploration tax credits were received during the three-month period ended March 31, 2023, and the year ended December 31, 2022.

e) Flow-Through Shares

Flow-through shares

The Company will from time to time issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital.

Upon expenditures being incurred, the Company derecognizes the liability and recognizes a future tax liability for the tax reduction renounced to the shareholders. The pro-rata amount of the premium is recognized as finance income and the related deferred tax is recognized as a deferred tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 taxon flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

f) Income Taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and; differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

MOSAIC MINERALS CORP.

Notes to Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Unaudited, in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Basic and Diluted Loss Per Share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

h) Share Capital

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit recognized from these issuance costs.

When shares are issued on the exercise of options and warrants, the share capital account also comprises the costs previously recorded as contributed surplus. When shares are issued as consideration for the acquisition of a mineral property they are measured at their fair value according to the quoted price on the date of issue.

Warrants issued with a common share, as part of a unit offering, are valued using the residual value method. A value representing the premium to the market-price that is obtained (if any) during the issuance is attributed to the warrant.

Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issuance costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issuance costs are charged to share capital when the related shares are issued. Deferred share issuance costs related to financing transactions that are not eventually completed are charged to profit or loss.

Share-based payments

The Company applies the fair value method of accounting for all stock option awards. Under this method, compensation expense attributed to the award of options to employees is measured at the fair value of the award on the date of grant, and is recognized over the vesting period of the award. Share-based payments to non-employees are valued based on the fair value of the service received, if reliably determinable, otherwise based on the fair value of the award granted. Valuation is calculated based on the date at which the Company receives the service. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

The fair value of instruments granted is measured using the Black-Scholes Option Pricing Model, taking into account the terms and conditions under which the instruments are granted. The fair value of the awards is adjusted by an estimate of the number of awards that are expected to vest as a result of non-market conditions. At each statement of financial position date, the Company revises its estimates of the number of options that are expected to vest based on the non-market conditions including the impact of the revision to original estimates, if any, with corresponding adjustments to equity.

MOSAIC MINERALS CORP.

Notes to Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Unaudited, in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Foreign exchange

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss. Non-monetary items are not re-translated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

j) Impairment of non-financial assets

The recoverability of amounts expended on exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the Company's ability to overcome the regulatory, financing and other hurdles in order to complete their development and future profitable production or proceeds from the disposition thereof.

The Company performs impairment tests on property and equipment and exploration and evaluation assets when events or circumstances occur which indicate the assets may not be recoverable. Impairment assessments are carried out on a project-by-project basis with each project representing a single cash generating unit.

When impairment indicators are identified, an impairment loss is recognized if the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's value in use or the asset's fair value less costs to sell.

An impairment loss is reversed if there is an indication that there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amounts that would have been determined (net of depreciation) if no impairment loss had been recognized.

k) Financial instruments and measurements

Classification and measurement

Financial assets are classified at initial recognition as either: measured at amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Fair value through profit or loss ("FVTPL") – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise.

Fair value through other comprehensive income ("FVTOCI") - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following any de-recognition of the investment.

Financial assets at amortized cost - A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

MOSAIC MINERALS CORP.

Notes to Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Unaudited, in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Financial instruments and measurements (continued)

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Impairment

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

l) New Standards not yet adopted

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. These amendments were further revised by the issuance of Non-current Liabilities with Covenants (Amendments to IAS 1) on October 31, 2022 which further narrowed the scope of the amendments. The amendments are effective for annual periods beginning on January 1, 2024. The Company does not expect these amendments have a material effect on its financial statements.

4. ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to use judgement in making estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Management has made judgements in a number of areas in preparing these financial statements. Those judgements that have the most significant effect on the amounts recognized in the financial statements are the determination whether the entity remains a going concern, and the assessment of impairment indicators for the Company's exploration property acquisition costs. Areas of critical accounting estimates include share-based payments and warrants and deferred tax assets.

Critical judgements

a) Going concern

These statements have been prepared on the assumption that the Company is able to continue as a going concern. Additional information relating to the going concern assumption is disclosed in Note 1.

MOSAIC MINERALS CORP.

Notes to Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Unaudited, in Canadian dollars)

4. ESTIMATES AND JUDGEMENTS (continued)

a) Impairment of exploration and evaluation assets

Management's judgement is that there were no significant indicators of impairment of exploration and evaluation assets. Ownership in exploration properties involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many exploration properties. Also, the Company must periodically apply to the relevant government entities for exploration-license renewals, extensions and conversions and is subject to those entities' decisions. The Company has investigated ownership of its exploration properties and in management's judgement, ownership of its remaining exploration property interest is in good standing at March 31, 2023.

Key sources of estimation uncertainty

b) Share-based payments and warrants

Determining the fair value of options and warrants requires the exercise of judgement related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Option and warrant pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's options or warrants at the date of grant. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

c) Deferred tax assets

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected. Actual results may differ from the estimates made. Judgements and estimates, and their underlying assumptions, are reviewed on an ongoing basis. Revisions to accounting estimates or judgements are recognized in the period in which the estimates are revised and in any future periods affected.

5. CASH AND CASH EQUIVALENTS

	March 31, 2023	December 31, 2023
	\$	\$
Cash	1,177,827	1,131,687

The company holds a guaranteed investment certificate cashable at all time totaling \$ 1,100,000 (\$ nil in 2022) bearing interest at rates of 4.7% (nil% in 2022)

MOSAIC MINERALS CORP.

Notes to Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Unaudited, in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

A continuity of exploration evaluation assets is as follows:

Mining Rights

Properties	Balance as at December 31, 2021	Additions	Balance as at December 31, 2022	Additions	Balance as at March 31, 2023
	\$	\$	\$		
Quebec property – Gaboury (b)	275,298	251,708	527,006	-	527,066
Quebec property – Lichen (c)	345,000	3,182	348,182	-	348,182
Quebec property – 113 Norh (d)	350,000	160,000	510,000	-	510,000
Quebec property – Dalmas SM (e)	-	4,640	4,640	-	4,640
Quebec property – Sakami SM (f)	-	1,760	1,760	-	1,760
Quebec property – Bordier SM (g)	-	3,300	3,300	-	3,300
Quebec property – Gervais SM (h)	-	1,925	1,925	-	1,925
Quebec property – Macqua SM (i)	-	11,040	11,040	-	11,040
Quebec property – Lithium SM (j)	-	13,545	13,545	-	13,545
Quebec property – Pluton SM (k)	-	-	-	143,070	143,070
Quebec property – Mirabelli SM (l)	-	-	-	49,130	49,130
	<u>970,298</u>	<u>451,100</u>	<u>1,421,398</u>	<u>182,300</u>	<u>1,603,598</u>

Exploration and evaluation expenditures

Properties	Balance as at December 31, 2021	Balance as at December 31, 2022	Balance as at March 31, 2023
	\$	\$	\$
Quebec property - Canalask	8,661	-	-
Quebec property – Crisafy	18,102	-	-
Quebec property – Gaboury	206,853	209,686	188,725
Quebec property – Lichen	176,040	24,302	4,610
Quebec property – 113 Norh	70,840	162,523	960
Quebec property – Dalmas SM (g)	-	-	5,130
Quebec property – Sakami SM (h)	-	-	5,130
Quebec property – Bordier SM (i)	-	-	5,130
Quebec property – Gervais SM (j)	-	-	5,130
Quebec property – Macqua SM (k)	-	-	5,130
Quebec property – Lithium SM (l)	-	-	5,130
Quebec property – Pluton SM	-	-	5,130
Quebec property – Mirabelli SM	-	-	5,130
	<u>480,493-</u>	<u>396,511-</u>	<u>235,335</u>

MOSAIC MINERALS CORP.

Notes to Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Unaudited, in Canadian dollars)

6. EXPLORATION AND EVALUATION EXPENDITURES (continued)

(a) Opawica, (Quebec)

Pursuant to a June 28, 2018 sale agreement, amended July 27, 2018, the Company acquired the Opawica mineral property located in Quebec for \$360,000 through the issuance of 7,200,000 shares of Mosaic Minerals Corp. at \$0.05 per share. Mosaic has two directors in common with the property vendor.

On September 15, 2021, the Company completed a transaction to sell 4 mining claims of the property with a book value of \$84,706 to Iamgold Corporation for a total aggregate purchase price of \$150,000 payable according to the following schedule's

- \$50,000 at the closing of the transaction (received);
- \$50,000 on or before the first anniversary of the agreement (received);
- \$50,000 on or before 18 months following the closing of the transaction.

The Company will retain a 0.5 % net smelter royalty ('NSR') on the 4 mining claims.

The management decided to drop the remaining claims, therefore the Company recorded a write-off of \$275,294 during the year ended December 31, 2021.

(b) Gaboury, (Quebec)

On May 12, 2021, the Company entered into a earn-in option agreement to acquire up to 80% of the Gaboury Nickel Copper Gold Property from Fokus Mining Corporation ('Fokus').

Pursuant to the earn-in option agreement the Company may earn up to an 80% interest in the Gaboury Property in two tranches.

To earn the first 60% interest the Company issued 3,000,000 shares with a fair value of 255,000, will complete \$150,000 of exploration expenditures within 12 months of the share issue date (completed) and will have to complete a further \$850,000 within thirty-six months of the share issue date.

To earn an additional 20% interest the Company must:

- notify Fokus of its intention to do so by June 30, 2024,
- incur \$500,000 of Expenditures per year for the next five years until June 30, 2029.
- complete a NI43-101 Resource Estimate including Indicated Resources.

The Company will be the operator during the earn-in periods. If the Company elects to complete the option at the 60% level, then Fokus shall be the project operator.

On June 27, 2022, the Company acquired a 100% interest in the Gaboury property from Fokus in exchange for the issuance of 3,000,000 common shares with a fair value of \$240,000. Fokus will retain a 2% NSR on the property.

MOSAIC MINERALS CORP.

Notes to Financial Statements

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(Unaudited, in Canadian dollars)

6. EXPLORATION AND EVALUATION EXPENDITURES (continued)

(c) Lichen, (Quebec)

On May 19, 2021, the Company entered into a earn-in option agreement to acquire up to 100% of the Lichen base metals property from Bullion Gold Resources Corporation ("Bullion").

To earn the 100% interest the Company issued 3,000,000 shares with a fair value of \$ 345,000, will complete \$100,000 of exploration expenditures by May 31, 2022 (completed) and complete a further \$ 350,000 by May 31, 2024.

Bullion has retained a 2% NSR royalty of which the Company can buy back 50% any time for 500,000. Mosaic has a first right of refusal to acquire Bullion's remaining 1% NSR.

(d) 113 North, (Quebec)

On June 8, 2021, the Company completed an agreement to acquire a 50% interest in the property from Fokus Mining Corporation.

In order to acquire a 50% interest in the property, the Company must meet the following requirements:

- issue 2,000,000 common shares (issued);
- Invest \$500,000 in exploration and evaluation expenditures in the following 4 years;
- Formation of a joint venture when the Company will be vested of 50% interest.

On June 27, 2022, the Company acquired a 100% interest in the 113 North property from Fokus in exchange for the issuance of 2,000,000 common shares with a fair value of \$ 160,000. Fokus will retain a 2% NSR on the property.

(e) **In November 2022**, the Company staked various claims for the Dalmas SM property at a cost of \$ 4,640.

(f) **In November 2022**, the Company staked various claims for the Sakami SM property at a cost of \$ 1,760.

(g) **In November 2022**, the Company staked various claims for the Bordier SM property at a cost of \$ 3,300.

(h) **In November 2022**, the Company staked various claims for the Gervais SM property at a cost of \$ 1,925.

(i) **In November 2022**, the Company staked various claims for the Maqua SM property at a cost of \$ 11,040.

(j) **In November 2022**, the Company staked various claims for the Lithium SM property at a cost of \$ 13,545.

(k) **On February 2, 2023**, the company announced the acquisition of the Pluton SM property by staking and agreements with two independent prospectors. In consideration, the Company will issue them respectively 450,000 and 1,000,000 common shares of the Company and will grant them 0.50% NSR of which 0.50% may be bought back for \$ 500,000 for one and 2% NSR for the other of which 1% may be bought back for \$1,000,000.

(l) **On February 7, 2023**, the Company acquired the Mirabelli SM property by staking.

7. SHARE CAPITAL

7.1 Authorized

Unlimited number of shares without par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote each at the shareholders' meetings of the Company.

As of March 31, 2023, there were 3,966,457 common shares (2022 – 3,966,457) held in escrow. The remaining shares will be released in even tranches on May 16, 2023 and November 16, 2023.

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On May 25, 2022, the Company completed a private placement pursuant to which it issued 2 500 000 flow-through common units at a price of \$ 0.12 per flow-through unit and 2,000,000 units at a price of \$ 0.10 per unit for an aggregate gross proceed of \$ 500,000. An amount of \$ 50,000 was allocated to the liability portion of the flow-through financing. Each flow-through unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitling the holder to purchase one additional common share of the Company at a price of \$ 0.18 per common share at any time until May 24, 2023. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitling the holder to purchase one additional common share of the Company at a price of \$ 0.15 per common share at any time until November 24, 2023. Warrants attached to units were ascribed a value of \$ 67,500 using the residual value method. In connection with financing, the Company paid share issuance costs of \$ 21,200 in cash and issued 175,000 brokers warrants. Each broker warrant is exercisable to acquire one additional common share at a price of \$ 0.12 per broker warrant at any time until May 24, 2024. The fair value of the broker's warrants is \$ 9,925.

On July 15, 2022, the Company issued 3,000,000 common shares and 2,000,000 common shares in connection with the acquisition of the Gaboury (Note 5(d)) and 113 North (Note 5(f)) properties, respectively.

On December 21, 2022, the Company completed a private placement pursuant to which it issued 6,008,571 flow-through common shares at a price of \$ 0.14 per share for an aggregate gross proceed of \$ 841,200. The Company paid \$ 49,161 in share issuance costs in connection with this financing.

7.3 Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of common shares, as follows:

	March 31, 2023		December 31, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of the period	9,897,500	0.14	7,647,500	0.13
Issued	-	-	2,250,000	0.17
Expired	(3,712,500)	0.15	-	-
Exercised	(3,681,000)	0.10		
Balance, end of the period	<u>2,504,000</u>	0.19	<u>9,897,500</u>	0.14
	March 31, 2023		December 31, 2022	
	Number of warrants	Exercise price	Number of warrants	Exercise price
Expiration date				
February 23, 2023	-	-	3,575,000	0.15
February 20, 2023	-	-	1,087,500	0.10
February 23, 2023	-	-	2,460,000	0.10
June 21, 2023	525,000	0.25	525,000	0.25
November 24, 2023	729,000	0.15	1,000,000	0.15
May 24, 2023	1,250,000	0.18	1,250,000	0.18
	<u>2,504,000</u>		<u>9,897,500</u>	

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7. SHARE CAPITAL (continued)**7.4 Broker's warrants**

Outstanding broker's warrants entitle their holders to subscribe to an equivalent number of common shares, as follows:

	March 31, 2023		December 31, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of the period	458,500	0.15	283,500	0.17
Issued	-	-	175,000	0.12
Expired	(231,000)	0.15	-	-
Balance, end of the period	<u>227,500</u>	0.15	<u>458,500</u>	0.15

	March 31, 2023		December 31, 2022	
	Number of warrants	Exercise price	Number of warrants	Exercise price
Expiration date				
February 23, 2023	-	-	231,000	0.15
June 21, 2023	52,500	0.25	52,500	0.25
May 24, 2024	<u>175,000</u>	0.12	<u>175,000</u>	0.12
	<u>227,500</u>		<u>458,500</u>	

The weighted fair value of the granted broker warrants issued of \$ nil (\$ 9,925 in 2022) was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	March 31, 2023	December 31, 2022
Share price at date of grant	-	\$0.085
Expected volatility	-	150 %
Expected life	-	1.78 years
Risk free interest rate	-	2.57 %
Exercise price at date of grant	-	\$0.12
Weighted fair value	-	\$0.06

7.5 Stock Options

The Company has adopted a share-based payment plan under which board members may grant stock options to directors, employees and consultants. The maximum number of shares issuable under the plan is 6,875,807 representing 10% of the issued and outstanding shares listed on the stock exchange on the grant date (on an undiluted basis).

The exercise price of each option is determined by the board of directors and cannot be less than the fair value of the common shares on the day prior the award, and the term of the options cannot exceed five years. The options vest immediately.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

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(Unaudited, in Canadian dollars)

7. SHARE CAPITAL (continued)**7.5 Stock Options (continued)**

The Company's outstanding and exercisable share options are as follows for the reporting periods presented:

	March 31, 2023		December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the period	4,250,000	0.10	4,050,000	0.10
Granted	1,750,000	0.09	500,000	0.095
Exercised	(100,000)	0.095	-	-
Cancelled	(1,000,000)	0.12	(300,000)	0.09
Balance, end of the period	4,900,000	0.10	4,250,000	0.10
Options exercisable	4,900,000	0.10	4,250,000	0.10

The weighted fair value accounted for in the results of the granted options of \$ 143,815 (\$ nil in 2022) was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	March 31, 2023	March 31, 2022
Share price at date of grant	\$ 0.09	-
Expected volatility	150%	-
Expected life	5 years	-
Risk free interest rate	2.92%	-
Exercise price at date of grant	\$0.09	-
Weighted fair value	\$0.08	-

The underlying expected volatility was determined by reference to historical data of comparable Company's shares over the expected life period. No special features inherent to the options granted were incorporated into measurement of fair value.

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(Unaudited, in Canadian dollars)

7. SHARE CAPITAL (continued)

The table below summarizes the information related to share options as at March 31, 2023:

Outstanding and exercisable options

Number of options outstanding and exercisable	Weighted average exercise price	Remaining life (years)
750,000	0.115	3.17
900,000	0.09	3.33
1,000,000	0.095	3.38
500,000	0.095	3.50
1,750,00	0.09	4.75
4,900,000	0.10	

The table below summarizes the information related to share options as at December 31, 2022:

Outstanding and exercisable options

Number of options outstanding and exercisable	Weighted average exercise price	Remaining life (years)
750,000	0.115	3.46
900,000	0.09	3.59
1,100,000	0.095	3.67
500,000	0.095	3.83
500,000	0.14	0.87
500,000	0.095	4.26
4,250,000	0.10	

MOSAIC MINERALS CORP.

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8. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and include officers and non-executive directors. During the three-month periods ended March 31, 2023, and 2022, key management remuneration consisted of the following:

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Short-term management benefits		
Management fees	16,500	15,750
Consulting fees	-	1,575
Total	<u>16,500</u>	<u>17,325</u>

As at March 31, 2023 amounts due to key management personnel or their companies was \$ nil (2022 - \$ nil).

9. CAPITAL MANAGEMENT

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to owners of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means. The Company monitors capital on the basis of the carrying amount of equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which proceeds are committed for exploration work.

The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings.

When financing conditions are not optimal the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve.

No changes were made in the objectives, policies and processes for managing capital during the years being presented.

10. FINANCIAL INSTRUMENT RISK DISCLOSURES

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities are summarized below. The main risks the Company is exposed to are credit risk and liquidity risk.

The Company focuses on actively securing short to medium-term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial instruments for speculative purposes.

The most significant financial risks to which the Company is exposed to are described below.

MOSAIC MINERALS CORP.

Notes to Financial Statements

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(Unaudited, in Canadian dollars)

10. FINANCIAL INSTRUMENT RISK DISCLOSURES (continued)

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. As at March 31, 2023 the Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Cash	1,177,827	1,131,687
Other receivables	-	75,200

The credit risk for cash is considered negligible since the counterparties are government agencies or reputable banks with high quality external credit ratings. Credit risk for other receivables is not considered significant.

Financial instruments recognized on the statement of financial position consist of cash and accounts payable and accrued liabilities.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following summarizes fair value hierarchy under which the Company's financial instruments are valued:

- Level 1 – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

The carrying amounts on the statement of financial position for other receivables, and trade and other payables approximate their fair values due to the immediate or short-term maturities of these financial instruments.

The Company's other financial instrument, cash, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount. Over the past period, the Company has financed its exploration and evaluation programs, its working capital requirements and acquisitions of mining properties through private and flow-through financings.

The Company's trade and other payables all contractually mature within three months, except for amounts due to related parties which are payable on demand.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and consists of interest, currency and price risk. The Company is not subject to any significant market risk.

MOSAIC MINERALS CORP.**Notes to Financial Statements****For the three-month periods ended March 31, 2023 and 2022****(Unaudited, in Canadian dollars)**

11. CONTINGENCIES AND COMMITMENTS

During the year ended December 31, 2022, the Company issued flow-through shares and estimated the value of the flow-through share premium associated with those shares to be \$ nil (2022 - \$ 260,300). As at March 31, 2023 the Company had \$ 598,365 (2022 – \$ 864,690) of flow through obligations remaining.

The following is a continuity schedule of the deferred premium liability on flow-through share issuances:

	<u>March 31, 2023</u>
	\$
Balance, December 31, 2022	45,000
Settlement of flow-through share premium	(91,085)
Flow-through share premium	<u>260,300</u>
Balance, December 31, 2022	214,215
Flow-through share premium	<u>(58,834)</u>
Balance, March 31, 2023	<u><u>155,381</u></u>

12. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the acquisition and exploration of mineral projects. All of the Company's operations are within the mineral exploration sector in Canada.

13. SUBSEQUENT EVENT

No subsequent event.