

# **Quebec Silica Resources Corp.**

**Condensed Interim Financial Statements  
For the Three and Six Months Ended March 31, 2021 and 2020  
(Unaudited)**

## **Notice to Reader**

Under National instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the condensed interim financial statements by an entity's auditor.

**Quebec Silica Resources Corp.**  
**Condensed Interim Statements of Financial Position**  
(Stated in Canadian Dollars)  
(Unaudited)

	Notes	March 31, 2021	September 30, 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 805,439	\$ 730,898
GST receivable		5,331	-
Prepaid expenses		3,908	7,500
<b>TOTAL ASSETS</b>		<b>\$ 814,678</b>	<b>\$ 738,398</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables		\$ 39,279	\$ 106,053
Share issue costs incurred	5	-	42,690
Subscriptions received		-	73,000
<b>Total liabilities</b>		<b>39,279</b>	<b>221,743</b>
<b>Shareholders' equity</b>			
Common shares	4	1,046,151	135,377
Special warrants	5	50,228	574,683
Share-based payments reserve	6	31,700	13,960
Deficit		(352,680)	(207,365)
<b>Total equity</b>		<b>775,399</b>	<b>516,655</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 814,678</b>	<b>\$ 738,398</b>
<b>Nature and continuance of operations</b>	<b>1</b>		
<b>Subsequent events</b>	<b>3,6</b>		

**Approved on behalf of the Board of Directors:**

"Aeron Kawakami"

Aeron Kawakami, Director

"Raymond Wladichuk"

Raymond Wladichuk, Director

## Quebec Silica Resources Corp.

### Condensed Interim Statements of Loss and Comprehensive Loss

(Stated in Canadian Dollars)

(Unaudited)

	Notes	Three months ended March 31,		Six months ended March 31,	
		2021	2020	2021	2020
<b>Expenses</b>					
Consulting fees		\$ -	\$ -	\$ 12,500	\$ -
Filing and listing fees		9,611	-	10,639	-
General and administrative		10,429	787	11,558	1,575
Management fees		18,000	-	18,000	-
Pre-exploration and exploration expenditures	3	50,358	-	55,695	-
Professional fees		32,567	1,214	36,773	8,663
Transfer agent fees		150	-	150	-
<b>Loss and comprehensive loss for the period</b>					
		\$ (121,115)	\$ (2,001)	\$ (145,315)	\$ (10,238)
<b>Weighted average number of common shares outstanding</b>					
	4				
Basic		22,143,445	3,350,001	15,283,715	3,350,001
Diluted		22,143,445	3,350,001	15,283,715	3,350,001
<b>Basic and diluted loss per common share</b>					
	4	\$ (0.01)	\$ -	\$ (0.01)	\$ -

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

## Quebec Silica Resources Corp.

### Condensed Interim Statements of Changes in Shareholders' Equity

(Stated in Canadian Dollars)

(Unaudited)

	Common Shares		Special Warrants		Share-based Payments Reserve	Deficit	Total
	Number	Amount	Number	Amount			
<b>Balance at September 30, 2020</b>	7,850,001	\$ 135,377	13,385,000	\$ 574,683	\$ 13,960	\$ (207,365)	\$ 516,655
Special warrants issued for cash:							
Private placement	-	-	7,100,000	355,000	-	-	355,000
Issue costs	899,000	44,950	-	(63,631)	17,740	-	(941)
Conversion of special warrants to common shares	19,800,000	815,824	(19,800,000)	(815,824)	-	-	-
Shares issued for mineral claims	1,000,000	50,000	-	-	-	-	50,000
Loss for the period	-	-	-	-	-	(145,315)	(145,315)
<b>Balance at March 31, 2021</b>	<b>29,549,001</b>	<b>1,046,151</b>	<b>685,000</b>	<b>50,228</b>	<b>31,700</b>	<b>(352,680)</b>	<b>775,399</b>

	Common Shares		Special Warrants		Share-based Payments Reserve	Deficit	Total
	Number	Amount	Number	Amount			
<b>Balance at September 30, 2019</b>	3,350,001	\$ 35,500	685,000	\$ 50,228	\$ 12,700	\$ (75,801)	\$ 22,627
Loss for the period	-	-	-	-	-	(10,238)	(10,238)
<b>Balance at March 31, 2020</b>	<b>3,350,001</b>	<b>\$ 35,500</b>	<b>685,000</b>	<b>\$ 50,228</b>	<b>\$ 12,700</b>	<b>\$ (86,039)</b>	<b>\$ 12,389</b>

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

**Quebec Silica Resources Corp.**  
**Condensed Interim Statements of Cash Flows**  
(Stated in Canadian Dollars)  
(Unaudited)

	Six months ended March 31,	
	2021	2020
<b>Operating activities</b>		
Loss for the period	\$ (145,315)	\$ (10,238)
Item not involving cash:		
Exploration expenditures paid by shares	50,000	-
Changes in non-cash working capital items:		
GST receivable	(5,331)	-
Prepaid expenses	3,592	-
Trade and other payables	(66,774)	(20,331)
<b>Net cash used in operating activities</b>	<b>(163,828)</b>	<b>(30,569)</b>
<b>Financing activities</b>		
Proceeds from issuance of special warrants	282,000	-
Issue costs	(43,631)	-
<b>Net cash provided by financing activities</b>	<b>238,369</b>	<b>-</b>
<b>Change in cash during the period</b>	<b>74,541</b>	<b>(30,569)</b>
<b>Cash, beginning of period</b>	<b>730,898</b>	<b>42,958</b>
<b>Cash, end of period</b>	<b>\$ 805,439</b>	<b>\$ 12,389</b>
<b>Supplemental Cash Flow Information</b>		
Income taxes paid	\$ -	\$ -
Interest paid (received)	\$ -	\$ -
<b>Non-cash Financing Activities</b>		
Common shares issued for special warrant issue costs	\$ 44,950	\$ -
Common shares issued for mineral claims	\$ 50,000	\$ -
Fair value of finder warrants for special warrant issue costs	\$ 17,740	\$ -

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

**Quebec Silica Resources Corp.**  
**Notes to the Condensed Interim Financial Statements**  
**March 31, 2021 and 2020**  
(Stated in Canadian Dollars)  
(Unaudited)

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**1. Nature and Continuance of Operations**

Quebec Silica Resources Corp. (the “Company”) was incorporated on May 22, 2018 pursuant to the Business Corporations Act (British Columbia). On August 27, 2020, the Company changed its name from Purecanna Products Inc. to Quebec Silica Resources Corp. On April 1, 2021, a Prospectus filed by the Company was given final receipt by the British Columbia Securities Commission. On April 28, 2021, the Company’s common shares began trading on the Canadian Securities Exchange (“CSE”) under the symbol ‘QTZ’.

These condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The Company’s principal business activities include the acquisition and exploration of mineral resource properties. The Company’s future financial success is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time.

During the first quarter of calendar 2020, there was a global outbreak of a novel coronavirus identified as “COVID-19”. On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets.

Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

As at March 31, 2021, the Company had not yet achieved profitable operations, has accumulated losses of \$352,680 since inception, and expects to incur further losses in the development of its business. These factors indicate a material uncertainty that may cast substantial doubt on the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is primarily dependent upon its ability to raise financing from equity markets or borrowings and upon successful results from its mineral property exploration activities. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these condensed interim financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these condensed interim financial statements.

The office of the Company is located at 1100 – 1111 Melville Street, Vancouver, BC, V6E 2Y3.

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**2. Basis of Preparation**

a) Statement of compliance

These condensed interim financial statements, including comparatives, are unaudited and have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

b) Basis of presentation

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's financial statements for the year ended September 30, 2020, with the exception of the following:

- IFRS 3 *Business Combinations* ("IFRS 3"), described in note 2(c).

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed interim financial statements do not include all of the information required for full annual financial statements.

These condensed interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published and effective at the time of preparation.

These condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

c) Recent accounting pronouncements and changes to accounting policies

IFRS 3 – The definition of a business will be amended under IFRS 3. Under the amended definition, to be considered a business an acquisition must include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. Under the prior definition, IFRS 3 stated that a business need not include all of the inputs or processes that the seller used in operating that business "if market participants are capable of acquiring the business and continuing to produce outputs, for example, by integrating the business with their own inputs and processes".

The reference to such integration is now deleted from IFRS 3 in the amendment and the assessment must be based on what has been acquired in its current state and condition. This amendment did not materially impact the Company's condensed interim financial statements upon adoption of this standard.

d) Approval of the condensed interim financial statements

The condensed interim financial statements of the Company for the three and six months ended March 31, 2021 were reviewed, approved and authorized for issue by the board of directors on May 21, 2021.



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**3. Exploration and Evaluation Properties**

Charlevoix Properties

On August 10, 2020, the Company entered into an agreement with Macdonald Mines Exploration Ltd. for the purchase of 6 mineral claims, referred to as the Charlevoix Properties, covering an estimated 346.95 hectares located in south-western Quebec, Canada.

The agreement provided for the purchase of these claims in consideration of 1,000,000 common shares of the Company. On February 2, 2021, the Company issued the 1,000,000 common shares to complete the acquisition.

Roche Blanche Property

On April 26, 2021, the Company entered into an agreement with a group of arm's length parties to acquire a 100% interest in seven contiguous mining claims covering a total area of 404.81 hectares located near the Charlevoix Properties in the Lac-Pikauba Municipality of the Province of Quebec, Canada.

The agreement provided for the purchase of these claims in consideration of 4,000,000 common shares of the Company. Certain sellers will retain a 2.0 % net smelter royalty ("NSR") from any future production. The Company has the right to reduce the 2.0% NSR to a 1.0% NSR by paying \$1,000,000.

During the three and six months ended March 31, 2021 and 2020, the Company incurred the following exploration expenditures on the properties:

	Three months ended March 31,		Six months ended March 31,	
	2021	2020	2021	2020
Charlevoix Properties				
Mineral claim acquisition	\$ 50,357	\$ -	\$ 50,357	\$ -
Technical report writing	-	-	5,338	-
	<u>\$ 50,357</u>	<u>\$ -</u>	<u>\$ 55,695</u>	<u>\$ -</u>

**4. Common Shares**

a) Authorized:

An unlimited number of common shares with no par value.

b) Issued:

During the six months ended March 31, 2021, the Company issued the following common shares:

On January 23, 2021, 12,700,000 Special Warrants converted at no additional cost into 12,700,000 Common Shares and 6,350,000 Warrants. Each Warrant entitles the holder thereof to acquire one additional common share (the "Warrant Shares") in the capital of the Company at a price of \$0.10 per Warrant Share expiring January 23, 2023.

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**4. Common Shares (cont'd)**

On February 19, 2021, 6,500,000 Special Warrants converted at no additional cost into 6,500,000 Common Shares and 3,250,000 Warrants. Each Warrant entitles the holder thereof to acquire one additional common share (the "Warrant Shares") in the capital of the Company at a price of \$0.10 per Warrant Share expiring February 19, 2023.

On March 3, 2021, 600,000 Special Warrants converted at no additional cost into 600,000 Common Shares and 300,000 Warrants. Each Warrant entitles the holder thereof to acquire one additional common share (the "Warrant Shares") in the capital of the Company at a price of \$0.10 per Warrant Share expiring March 3, 2023.

c) Loss per share:

Basic and diluted loss per share

	Three months ended March 31,		Six months ended March 31,	
	2021	2020	2021	2020
Numerator:				
Net earnings (loss)	\$ (121,115)	\$ (2,001)	\$ (145,315)	\$ (10,238)
Denominator:				
Weighted average number of common shares (basic)	22,143,445	3,350,001	15,283,715	3,350,001
Dilutive effect of share options	-	-	-	-
Weighted average number of common shares (diluted)	22,143,445	3,350,001	15,283,715	3,350,001
Basic and diluted income (loss) per common share	\$ (0.01)	\$ -	\$ (0.01)	\$ -

**5. Special Warrants**

The Company has issued the following special warrants:

- a) On August 28, 2018, the Company issued 685,000 special warrants at \$0.10 per special warrant for gross proceeds of \$68,500. These special warrants will automatically convert into common shares of the Company on a one for one basis upon a prospectus being filed that qualifies these special warrants. The Company incurred cash fees and expenses of \$5,572. The Company issued 213,500 compensation warrants as a commission with a fair value of \$12,700.

On April 1, 2021, the 685,000 special warrants converted at no additional cost into 685,000 common shares.

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**5. Special Warrants (cont'd)**

- b) On September 23, 2020, the Company issued 12,700,000 special warrants at \$0.05 per special warrant for gross proceeds of \$635,000. These special warrants will automatically convert into units (each a "Unit") on a one for one basis upon a prospectus being filed that qualifies these Special Warrants. Each Unit consists of one common share and one-half of one transferable common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional common share (a "Warrant Share") in the capital of the Company at a price of \$0.10 per Warrant Share for 24 months from the date of conversion of the special warrants.

The Company paid cash commissions of \$61,900 and incurred legal fees of \$4,695. The Company issued 60,000 finders' warrants as a commission with a fair value of \$1,260. The Company accrued the issuance of an additional 559,000 finders' warrants as a commission with a fair value of \$11,740. These 559,000 finders' warrants were issued on October 19, 2020. Also, the Company accrued the issuance of 619,000 common shares as a commission with a fair value of \$30,950. These 619,000 common shares were issued on October 19, 2020.

On January 23, 2021, the 12,700,000 Special Warrants converted at no additional cost into 12,700,000 Common Shares and 6,350,000 Warrants.

- c) On October 19 and November 3, 2020, the Company issued 6,500,000 and 600,000 special warrants respectively, at \$0.05 per special warrant for gross proceeds of \$355,000. These special warrants will automatically convert into units (each a "Unit") on a one for one basis upon a prospectus being filed that qualifies these special warrants. Each Unit consists of one common share and one-half of one transferable common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional common share (a "Warrant Share") in the capital of the Company at a price of \$0.10 per Warrant Share for 24 months from the date of conversion of the special warrants.

In connection with the special warrant private placements, the Company paid cash commissions of \$28,000, paid a corporate finance fee of \$10,000, and incurred legal fees of \$5,631. The Company also issued 280,000 finders' warrants as a commission with a fair value of \$6,000 and issued 280,000 common shares as a commission with a fair value of \$14,000 for the issuance of the special warrants. The 280,000 finders' warrants have an exercise price of \$0.05 and expire on October 19, 2022.

On February 19, 2021, the 6,500,000 Special Warrants converted at no additional cost into 6,500,000 Common Shares and 3,250,000 Warrants. On March 3, 2021, the 600,000 Special Warrants converted at no additional cost into 600,000 Common Shares and 300,000 Warrants.

**6. Share-based Payments**

- a) Warrants:

The fair value of the 839,000 finders' warrants issued during the six months ended March 31, 2021 was estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 0.22%, a dividend yield of nil, an expected annual volatility of the Company's share price of 80% and an expected life of 2 years. The fair value of the finder's warrants was \$0.02 per warrant. The expected volatility assumption is based on the estimated volatility of early-stage mineral exploration companies. The risk-free interest rate is based on yield curves on the Canadian government zero-coupon bonds or Canadian government treasury bills with a remaining term equal to the warrants' expected life.

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**6. Share-based Payments (cont'd)**

The changes in warrants issued during the period ended March 31, 2021 is as follows:

	Six months ended March 31, 2021	
	Number of warrants	Weighted- average exercise price
Balance, beginning of period	273,500	\$ 0.09
Issued	10,714,000	\$ 0.10
<b>Balance, end of period</b>	<b>10,987,500</b>	<b>\$ 0.10</b>

Warrants exercisable and outstanding as at March 31, 2021 are as follows:

Expiry Date	Number of warrants	Exercise Price
September 23, 2022	60,000	\$0.05
October 19, 2022	839,000	\$0.05
January 23, 2023	6,325,000	\$0.10
February 19, 2023	3,250,000	\$0.10
March 3, 2023	300,000	\$0.10
April 1, 2023	213,500	\$0.10
	<b>10,987,500</b>	

b) Stock Options:

On December 29, 2020, the Company adopted an option plan in accordance with the rules and policies of the CSE. The terms of any award are determined by the Board, provided that no options may be granted with an exercise price lower than the greater of the closing market price of the Common Shares on (a) the trading day prior to the date of the grant of the stock options, and (b) the date of grant of the stock options, and the term may not exceed 10 years. The aggregate number of securities available for issuance under the plan may not exceed 10% of the number of common shares of the Company issued and outstanding from time to time.

On January 5, 2021, the Company allocated 2,600,000 stock options to directors, officers, employees and consultants. Each option is exercisable to acquire a common share at an exercise price of \$0.10 for two years from the date the final receipt is received for the Company's non-offering Prospectus. On April 4, 2021, the Company granted the 2,600,000 stock options expiring April 4, 2023.

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**7. Related Party Transactions**

The following is a summary of the related party transactions that occurred during the six months ended March 31, 2021.

a) Compensation of key management personnel

The Company has determined that key management personnel consist of its Directors, the CEO and CFO.

The Company paid both its CEO and CFO \$9,000 each (2020 - \$nil) for management fees.

The Company granted 850,000 stock options to Directors and officers, each option is exercisable to acquire a common share at an exercise price of \$0.10 expiring April 4, 2023. The stock options vested immediately upon grant.

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits.

**8. Financial Instruments – Fair Value**

Fair value estimates are made at the condensed interim statement of financial position date, based on relevant market information and other information about financial instruments. As at March 31, 2021, the Company's financial instruments are cash and trade and other payables. The amounts reflected in the condensed interim statements of financial position are carrying amounts and approximate their fair values due to their short-term nature.