

Quebec Silica Resources Corp.

**Condensed Interim Financial Statements
For the Three Months Ended December 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	December 31, 2021	September 30, 2021
ASSETS			
Current assets			
Cash		\$ 2,431,236	\$ 685,143
GST receivable		9,536	3,531
Prepaid expenses		2,558	4,023
TOTAL ASSETS		\$ 2,443,330	\$ 692,697
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	\$ 110,486	\$ 16,716
Flow-through share premium liability	4	380,500	-
Total liabilities		490,986	16,716
Shareholders' equity			
Common shares	5	2,586,036	1,496,379
Share-based payments reserve	6	420,175	63,400
Deficit		(1,053,867)	(883,798)
Total equity		1,952,344	675,981
TOTAL LIABILITIES AND EQUITY		\$ 2,443,330	\$ 692,697
Nature and continuance of operations	1		
Subsequent events	3,9		

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 December 31,	
		2021	2020
Expenses			
Consulting & management fees	7	\$ 19,000	\$ 12,500
Corporate development		6,400	-
General & administrative		8,773	1,129
Exploration & evaluation expenditures	3,7	78,059	5,337
Professional fees		18,589	4,206
Regulatory, transfer agent & filing fees		4,435	1,028
Share-based payments	6	40,000	-
Loss before other items		175,256	24,200
Other income (expense)			
Flow-through share premium	4	5,187	-
Loss and comprehensive loss for the period		\$ (170,069)	\$ (24,200)
Weighted average number of common shares outstanding	5		
Basic		35,772,887	8,573,110
Diluted		35,772,887	8,573,110
Basic and diluted loss per common share	5	\$ (0.00)	\$ (0.00)

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	Deficit	Total
	Number	Amount	Number	Amount	Payments Reserve		
Balance at September 30, 2021	34,234,001	\$ 1,496,379	-	\$ -	\$ 63,400	\$ (883,798)	\$ 675,981
Common shares issued for cash:							
Private placement	10,712,500	1,617,625	-	-	277,875	-	1,895,500
Share issue costs	-	(192,281)	-	-	28,000	-	(164,281)
Premium on flow-through shares	-	(385,687)	-	-	-	-	(385,687)
Exercise of warrants	335,000	33,500	-	-	-	-	33,500
Shares issued for mineral claims	100,000	16,500	-	-	-	-	16,500
Warrants issued for mineral claims	-	-	-	-	10,900	-	10,900
Share-based payments	-	-	-	-	40,000	-	40,000
Loss for the period	-	-	-	-	-	(170,069)	(170,069)
Balance at December 31, 2021	45,381,501	2,586,036	-	-	420,175	(1,053,867)	1,952,344

	Common Shares		Special Warrants		Share-based	Deficit	Total
	Number	Amount	Number	Amount	Payments Reserve		
Balance at September 30, 2020	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)
Loss for the period	-	-	-	-	-	(24,200)	(24,200)
Balance at December 31, 2020	8,749,001	\$ 180,327	20,485,000	\$ 866,052	\$ 31,700	\$ (231,565)	\$ 846,514

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)

	Three months ended December 31,	
	2021	2020
Operating activities		
Loss for the period	\$ (170,069)	\$ (24,200)
Items not involving cash:		
Exploration & evaluation expenditures paid by shares and warrants	27,400	-
Share-based payments	40,000	-
Flow-through share premium	(5,187)	-
Changes in non-cash working capital items:		
GST receivable	(6,005)	(1,644)
Prepaid expenses	1,465	2,729
Trade and other payables	93,770	(82,238)
Net cash used in operating activities	(18,626)	(105,353)
Financing activities		
Proceeds from issuance of special warrants, net of issue costs	-	238,369
Proceeds from issuance of common shares, net of issue costs	1,764,719	-
Net cash provided by financing activities	1,764,719	238,369
Change in cash during the period	1,746,093	133,016
Cash, beginning of period	685,143	730,898
Cash, end of period	\$ 2,431,236	\$ 863,914
Supplemental Cash Flow Information		
Income taxes paid	\$ -	\$ -
Interest paid (received)	\$ -	\$ -
Non-cash Financing Activities		
Fair value of finder warrants for common share issue costs	\$ 28,000	\$ -
Common shares issued for special warrant issue costs	\$ -	\$ 44,950
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
December 31, 2021 and 2020
(Stated in Canadian Dollars)
(Unaudited)

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 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 December 31, 2021, the Company had not yet achieved profitable operations, has accumulated losses of \$1,035,519 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.

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

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, 2021.

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

Certain accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

d) Approval of the condensed interim financial statements

The condensed interim financial statements of the Company for the three months ended December 31, 2021 were reviewed, approved and authorized for issue by the board of directors on February 23, 2022.

3. Exploration and Evaluation Properties

Charlevoix Silica Project

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 Property, 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 1,000,000 common shares to complete the acquisition.

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3. Exploration and Evaluation Properties (cont'd)

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 Property 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 (issued) 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.

On October 8, 2021, the Company entered into an agreement with an arm's length party to acquire a 100% interest in certain additional mineral claims located adjacent to its original Charlevoix properties. These newly acquired claims consist of three contiguous mining claims covering a total area of approximately 173 hectares and are located between the previously acquired Charlevoix properties. The addition of the new claims creates a contiguous land package totaling approximately 923 hectares which will be referred to as the "Charlevoix Silica Project" going forward.

The agreement provided for the purchase of these claims in consideration of the following payments:

- i) paying \$5,000 in cash (paid);
- ii) issuing 50,000 common shares (issued);
- iii) issuing 50,000 common share purchase warrants (issued), with each warrant entitling the holder to acquire one additional common share, at an exercise price of \$0.15 per share, for a period of 60 months;
- iv) paying \$5,000 in cash by October 8, 2022;
- v) issuing 50,000 common shares by October 8, 2022 (issued); and
- vi) issuing by October 8, 2022 an additional 50,000 warrants upon the same terms and conditions as those issued in point (iii) above (issued).

The seller will retain a 1.5% net process royalty ("NSR") from any future commercial production on these claims. The Company has the right to reduce the 1.5% NSR to a 0.75% NSR by paying \$750,000.

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3. Exploration and Evaluation Properties (cont'd)

During the three months ended December 31, 2021 and 2020, the Company incurred the following exploration expenditures on the Charlevoix Silica Project:

	Three months ended December 31,	
	2021	2020
Acquisition Costs		
Mineral claims - cash	\$ 5,000	\$ -
Mineral claims - common shares (note 5b)	16,500	-
Mineral claims - warrants (note 6a)	10,900	-
	32,400	-
Exploration Costs		
Equipment & supplies	765	-
Food & Lodging	3,319	-
Geological field work	23,553	-
Geophysics	14,572	-
Technical report writing	-	5,337
Transportation	3,450	-
	45,659	5,337
Total exploration & evaluation expenditures	\$ 78,059	\$ 5,337

4. Flow-Through Share Premium Liability

During the three months ended December 31, 2021, the Company issued 4,537,500 of flow-through shares (each, a "FT Share") at a price of \$0.20 per FT Share for aggregate gross proceeds of \$907,500. The Company estimated the flow-through premium to be \$385,687 and recognized that amount as a liability.

During the period between the issuance of the FT Shares and December 31, 2021, the Company incurred eligible exploration expenditures and amortized \$5,187 of the flow-through premium liability to income on a pro-rata basis. As at December 31, 2021, the flow-through premium liability is \$380,500.

5. Common Shares

a) Authorized:

An unlimited number of common shares with no par value.

b) Issued:

During the three months ended December 31, 2021, the Company issued the following common shares:

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5. Common Shares (cont'd)

- i) The Company closed a private placement by issuing a total of: (i) 6,175,000 of units (each, a "Unit"), at a price of \$0.16 per Unit; and (ii) 4,537,500 of flow-through shares (each, a "FT Share"), at a price of \$0.20 per FT Share for aggregate gross proceeds of \$1,895,500.

Each Unit is comprised of one common share ("Common Share") and one-half (1/2) of a Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant"). Each Warrant shall entitle the holder thereof to acquire one additional Common Share at a price of \$0.20 expiring on December 21, 2023. The FT Shares will qualify as "flow-through shares" within the meaning of subsection 66(15) of the Income Tax Act (Canada).

The Company paid finder's fees of 8% of the gross proceeds of the private placement (\$151,640) and issued 857,000 finder warrants exercisable at a price of \$0.20 per Common Share expiring on December 21, 2023.

- ii) The Company issued 335,000 common shares at \$0.10 per share pursuant to the exercise of 335,000 warrants.
- iii) The Company issued 100,000 common shares at \$0.165 per share pursuant to the acquisition of mineral claims (note 3).
- c) Escrowed shares:

There were 2,400,000 common shares placed in escrow pursuant to an escrow agreement dated March 31, 2021 between the Company and certain shareholders of the Company. Pursuant to the escrow agreement, the escrowed shares shall be released pro-rata to the shareholders as to 10% (240,000) upon the date the Company's common shares are listed on a Canadian stock exchange (April 28, 2021) and as to the remainder in six equal tranches of 15% (360,000) every six months thereafter for a period of 36 months. These escrowed shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities. As of December 31, 2021, there are 1,800,000 common shares remaining in escrow.

- d) Loss per share:

Basic and diluted loss per share

	Three months ended December 31,	
	<u>2021</u>	<u>2020</u>
Numerator:		
Net loss	\$ (170,069)	\$ (24,200)
Denominator:		
Weighted average number of common shares (basic)	35,772,887	8,573,110
Dilutive effect of stock options and warrants	-	-
Weighted average number of common shares (diluted)	35,772,887	8,573,110
Basic and diluted income (loss) per common share	\$ -	\$ -

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6. Share-based Payments

a) Warrants:

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

	Three months ended December 31, 2021	
	Number of warrants	Weighted- average exercise price
Balance, beginning of period	11,012,500	\$ 0.10
Issued	4,044,500	\$ 0.20
Exercised	(335,000)	\$ 0.10
Balance, end of period	14,722,000	\$ 0.12

Warrants exercisable and outstanding as at December 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	6,015,000	\$0.10
February 19, 2023	3,250,000	\$0.10
March 3, 2023	300,000	\$0.10
April 1, 2023	213,500	\$0.10
December 21, 2023	3,944,500	\$0.20
October 28, 2026	100,000	\$0.15
	14,722,000	

The fair value of the 857,000 finders' warrants and 100,000 warrants issued for the purchase of mineral claims during the three months ended December 31, 2021 were estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.04%, a dividend yield of nil, an expected annual volatility of the Company's share price of 80% and an expected life of 2.3 years. The fair value of the finder's warrants was \$0.04 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)

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 October 27, 2021, the Company granted of 550,000 incentive stock options to certain directors, officers, employees, and consultants of the Company at an exercise price of \$0.20 expiring two years from date of grant.

The changes in stock options issued during the period ended December 31, 2021 is as follows:

	Three months ended December 31, 2021	
	Number of options	Weighted- average exercise price
Balance, beginning of period	2,600,000	\$ 0.10
Granted	550,000	\$ 0.20
Balance, end of period	3,150,000	\$ 0.12

Stock options exercisable and outstanding as at December 31, 2021 are as follows:

Expiry Date	Number of options	Exercise Price
April 4, 2023	2,600,000	\$0.10
October 27, 2023	550,000	\$0.20
	3,150,000	

The fair value of the 550,000 stock options granted during the three months ended December 31, 2021 were estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.04%, 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 stock options was \$0.07 per option. 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.

7. Related Party Transactions

Quebec Silica Resources Corp.
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Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

The following is a summary of the related party transactions that occurred during the three months ended December 31, 2021 and 2020.

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

	December 31, 2021	December 31, 2020
Management fees	\$ 12,000	\$ -
Share-based payments - vested stock options	21,818	-
Post-employment and/or termination benefits	-	-
Other long-term benefits	-	-
	<u>\$ 33,818</u>	<u>\$ -</u>

Included in management fees in the above table are \$3,000 (2020 - \$nil) of geological consulting fees charged by the CEO and included in exploration and evaluation expenditures. As at December 31, 2021, \$4,759 (2020 - \$nil) is owing to related parties and included in trade and other payables.

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 December 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.

9. Subsequent Events

The Company granted 1,100,000 incentive stock options to certain directors, officers, employees and consultants of the Company at an exercise price of \$0.075 for a period of two years from the date of grant.