

Quebec Innovative Materials Corp.
(formerly Quebec Silica Resources Corp.)

Condensed Interim Financial Statements
For the Three- and Six-month Periods Ended March 31, 2023 and 2022
(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 Innovative Materials Corp.

(formerly Quebec Silica Resources Corp.)

Statements of Financial Position

(Stated in Canadian Dollars)

(Unaudited)

| | Notes | March 31, 2023 | September 30, 2022 |
|---|-----------|---------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$ 1,379,292 | \$ 1,365,455 |
| Amounts receivable | | 90,688 | 84,231 |
| Prepaid expenses | | 5,544 | 38,939 |
| TOTAL ASSETS | | \$ 1,475,524 | \$ 1,488,626 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Trade and other payables | | \$ 142,409 | \$ 260,904 |
| Flow-through share premium liability | | 86,218 | - |
| Total liabilities | | 228,627 | 260,904 |
| Shareholders' equity | | | |
| Common shares | 5 | 3,419,967 | 2,757,936 |
| Share-based payments reserve | 6 | 953,863 | 586,975 |
| Deficit | | (3,126,933) | (2,117,191) |
| Total equity | | 1,246,897 | 1,227,720 |
| TOTAL LIABILITIES AND EQUITY | | \$ 1,475,524 | \$ 1,488,624 |
| Nature of operations and going concern | 1 | | |
| Subsequent events | 11 | | |

Approved on behalf of the Board of Directors:

"Patrick Levasseur"

Patrick Levasseur, Director

"Hani Zabaneh"

Hani Zabaneh, Director

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

Quebec Innovative Materials Corp.
(formerly Quebec Silica Resources Corp.)

Statements of Loss and Comprehensive Loss

(Stated in Canadian Dollars)

(Unaudited)

| | Notes | Three months ended March 31, | | Six-months ended March 31, | |
|---|-------|---------------------------------|---------------------|-------------------------------|---------------------|
| | | 2023 | 2022 | 2023 | 2022 |
| Expenses | | | | | |
| Consulting fees | | \$ 15,100 | \$ 3,000 | \$ 56,996 | \$ 10,000 |
| Corporate development | | 19,121 | 965 | 34,885 | 7,365 |
| General and administrative | | 30,893 | 17,845 | 79,585 | 26,618 |
| Exploration & evaluation expenditures | 3 | 115,320 | 211,745 | 774,862 | 289,804 |
| Management fees | 8 | 18,000 | 7,000 | 34,000 | 19,000 |
| Professional fees | | 7,435 | 15,797 | 26,129 | 34,386 |
| Regulatory, transfer agent & filing fees | | 16,357 | 9,552 | 22,193 | 13,987 |
| Share-based payments | 6 | - | 39,900 | - | 79,900 |
| Loss before other items | | (222,226) | (305,804) | (1,028,650) | (481,060) |
| Other income (expense) | | | | | |
| Interest income | | 6,726 | - | 7,377 | - |
| Flow-through share premium | 5 | 11,532 | 89,992 | 11,532 | 95,179 |
| Loss and comprehensive loss for the period | | \$ (203,968) | \$ (215,812) | \$ (1,009,741) | \$ (385,881) |
| Weighted average number of common shares outstanding | | | | | |
| | 5 | | | | |
| Basic | | 45,381,501 | 12,148,361 | 50,414,366 | 40,524,399 |
| Diluted | | 45,381,501 | 12,148,361 | 50,414,366 | 40,524,399 |
| Basic and diluted loss per common share | 5 | \$ (0.00) | \$ (0.02) | \$ (0.02) | \$ (0.01) |

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

Quebec Innovative Materials Corp.

(formerly Quebec Silica Resources Corp.)

Statements of Changes in Shareholders' Equity

(Stated in Canadian Dollars)

(Unaudited)

| | Common Shares | | Share-based Payments Reserve | Deficit | Total |
|---|---------------|--------------|------------------------------------|----------------|--------------|
| | Number | Amount | | | |
| Balance at September 30, 2022 | 48,381,501 | \$ 2,757,936 | \$ 586,975 | \$ (2,117,191) | \$ 1,227,720 |
| Common shares issued for cash: | | | | | |
| Private placement | 19,550,000 | 678,400 | 299,100 | - | 977,500 |
| Share issue costs | - | (149,631) | 23,800 | - | (125,831) |
| Compensation shares issued on private placement | 977,500 | (43,988) | 43,988 | - | - |
| Premium on flow-through shares | - | (97,750) | - | - | (97,750) |
| Shares issued for exploration and evaluation properties | 5,000,000 | 275,000 | - | - | 275,000 |
| Loss and comprehensive loss for the period | - | - | - | (1,009,741) | (1,009,741) |
| Balance at March 31, 2023 | 73,909,001 | \$ 3,419,967 | \$ 953,863 | \$ (3,126,933) | \$ 1,246,897 |

| | Common Shares | | Share-based Payments Reserve | Deficit | Total |
|---|---------------|--------------|------------------------------------|----------------|--------------|
| | Number | Amount | | | |
| 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 exploration and evaluation properties | 100,000 | 16,500 | - | - | 16,500 |
| Warrants issued for exploration and evaluation properties | - | - | 10,900 | - | 10,900 |
| Share-based payments | - | - | 79,900 | - | 79,900 |
| Loss and comprehensive loss for the period | - | - | - | (385,881) | (385,881) |
| Balance at March 31, 2022 | 45,381,501 | \$ 2,586,036 | \$ 460,075 | \$ (1,269,679) | \$ 1,776,432 |

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

Quebec Innovative Materials Corp.
(formerly Quebec Silica Resources Corp.)

Statements of Cash Flows

(Stated in Canadian Dollars)

(Unaudited)

| | Six-months ended March 31, | |
|---|-------------------------------|---------------------|
| | 2023 | 2022 |
| Operating activities | | |
| Loss for the period | \$ (1,009,741) | \$ (385,881) |
| Items not involving cash: | | |
| Exploration & evaluation expenditures paid by shares and warrants | 275,000 | 27,400 |
| Share-based payments | - | 79,900 |
| Flow-through share premium | (11,532) | (95,179) |
| Changes in non-cash working capital items: | | |
| Amounts receivable | (6,458) | (9,731) |
| Prepaid expenses | 33,396 | (153,836) |
| Trade and other payables | (118,496) | 3,372 |
| Net cash used in operating activities | (837,832) | (533,955) |
| Financing activities | | |
| Proceeds from issuance of common shares, net of issue costs | 851,669 | 1,764,719 |
| Net cash provided by financing activities | 851,669 | 1,764,719 |
| Change in cash during the period | 13,837 | 1,230,764 |
| Cash, beginning of period | 1,365,455 | 685,143 |
| Cash, end of period | \$ 1,379,292 | \$ 1,915,907 |
| Supplemental Cash Flow Information | | |
| Income taxes paid | \$ - | \$ - |
| Interest paid (received) | \$ - | \$ - |
| Non-cash Financing Activities | | |
| Fair value of finder warrants for common share issue costs | \$ 14,500 | \$ 28,000 |

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

Quebec Innovative Materials Corp.

(formerly Quebec Silica Resources Corp.)

Notes to the Financial Statements

March 31, 2023 and 2022

(Stated in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Quebec Innovative Materials Corp. (formerly 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 and on April 28, 2021, the Company’s common shares began trading on the Canadian Securities Exchange (“CSE”). On January 11, 2023, the Company changed its name from Quebec Silica Resources Corp. to Quebec Innovative Materials Corp. The shares of the Company now currently trades under the symbol “QIMC” on the CSE.

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.

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and the Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

As at March 31, 2023, the Company had not yet achieved profitable operations, has accumulated losses of \$3,126,933 since inception, and expects to incur further losses in the development of its business. These events and conditions indicate a material uncertainty that may cast significant 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 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 financial statements.

The head office of the Company is located at 1100 – 1111 Melville Street, Vancouver, BC, V6E 3V6.

Quebec Innovative Materials Corp.
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Notes to the Financial Statements
March 31, 2023 and 2022
(Stated in Canadian Dollars)

2. BASIS OF PRESENTATION

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, 2022.

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) Approval of the financial statements

The condensed interim financial statements of the Company for the three- and six-month period ended March 31, 2023 were reviewed, approved and authorized for issue by the Board of Directors on May 29, 2023.

d) Recent accounting pronouncements and changes to accounting policies

At the date of authorization of these financial statements, the IASB and IFRIC Interpretations Committee have issued new and revised Standards and Interpretations which are not yet effective, none of which are expected to have a material impact on the financial statements.

Quebec Innovative Materials Corp.
(formerly Quebec Silica Resources Corp.)
Notes to the Financial Statements
March 31, 2023 and 2022
(Stated in Canadian Dollars)

3. EXPLORATION AND EVALUATION PROPERTIES

A summary of the Company's exploration and evaluation expenditures for the six-month period ended March 31, 2023 is as follows:

| | Charlevoix Silica Project | Roncevaux and Martinville Property | St. Lawrence Hydrogen Project | Six-months ended March 31, 2023 | Cumulative expenditures to March 31, 2023 |
|--|---------------------------------|--|-------------------------------------|---------------------------------------|---|
| Acquisition Costs | | | | | |
| Mineral claims - cash | \$ 5,000 | \$ - | \$ - | \$ 5,000 | \$ 10,357 |
| Mineral claims - common shares | - | - | 275,000 | 275,000 | 936,500 |
| Mineral claims - warrants | - | - | - | - | 70,400 |
| | 5,000 | - | 275,000 | 280,000 | 1,017,257 |
| Exploration Costs | | | | | |
| Equipment & supplies | 103,041 | - | - | 103,041 | 106,445 |
| Food & lodging | - | - | - | - | 3,959 |
| Geological field work | 354,321 | 37,500 | - | 391,821 | 1,083,958 |
| Geophysics | - | - | - | - | 269,572 |
| Technical report writing | - | - | - | - | 16,376 |
| Transportation | - | - | - | - | 7,136 |
| | 457,362 | 37,500 | - | 494,862 | 1,487,446 |
| Total exploration & evaluation expenditures | \$ 462,362 | \$ 37,500 | \$ 275,000 | \$ 774,862 | \$ 2,504,703 |

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 the 1,000,000 common shares with a fair value of \$50,000 to complete the acquisition.

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 of the Company. On April 26, 2021, the Company issued the 4,000,000 common shares with a fair value of \$400,000 to complete the acquisition. 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.

Quebec Innovative Materials Corp.
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3. EXPLORATION AND EVALUATION PROPERTIES (continued):

Charlevoix Silica Project (continued):

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 100,000 common shares (issued) with 50,000 of these common shares restricted from trading until October 8, 2022;
- iii) issuing 100,000 common share purchase warrants (issued) with 50,000 of these warrants restricted from exercising until October 8, 2022. Each warrant entitles 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; (paid subsequent to September 30, 2022);

The fair value of the 100,000 common share purchase warrants, with an exercise price of \$0.15, was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.44%, a dividend yield of nil, an expected annual volatility of the Company's share price of 125%, an expected life of 5 years, and a spot price of \$0.15. The fair value of the Acquisition Warrants was \$0.127 per warrant. The expected volatility assumption is based on the estimated volatility of comparable 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.

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.

Roncevaux and Martinville Property

On August 30, 2022, the Company entered into a property acquisition agreement with HPQ Silicon Inc. ("HPQ") for the purchase of two property interests covering 63 designated cells (Claims) covering and an estimated 3,730 hectares.

The Roncevaux Property is located in the Matapedia region of Gaspé, about 75 km south of Causapscal and is made up of 27 map designated cells (Claims) covering a total of 1,551 hectares available for exploration. The Martinville Property is located in the Eastern Township, 180 km east of Montreal, 30 km south of Sherbrooke and is made up of 36 map-designated cells (Claims) covering a total of 2,179 hectares available for exploration.

Under the terms of the arm's length transaction, the Company issued 3,000,000 Acquisition Units to HPQ. Each Acquisition Unit is comprised of one (1) Acquisition Share and one-half (½) of an Acquisition Warrant, with each whole Acquisition Warrant entitling HPQ to acquire one (1) Common Share at a price of \$0.15 for a period of three (3) years expiring August 30, 2025.

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3. EXPLORATION AND EVALUATION PROPERTIES (continued):

St. Lawrence Hydrogen Gas Project

On November 7, 2022, the Company entered into an property purchase agreement with Charlevoix Silica Inc. ("CSI") for the purchase of 100% interest in three mineral properties, referred to as the St. Lawrence Hydrogen Project located in Quebec. Under the terms of the arm's length transaction, the Company issued 5,000,000 common shares of the Company at an issue price of \$0.055 per share.

The Company also entered into a royalty agreement with respect to the 1% royalty on gross revenues from the sale of pure hydrogen arising from the lands underlying the properties acquired by the Company.

5. COMMON STOCK

a) Authorized:

An unlimited number of common shares with no par value.

b) Issued:

During the six-month period ended March 31, 2023, the Company issued the following common shares:

- i) The Company closed a private placement by issuing a total of: (i) 4,850,000 flow-through units (each, a "FT Unit"), at a price of \$0.05 per FT Unit; and (ii) 14,700,000 Quebec flow-through units (each, a "QFT Unit"), at a price of \$0.05 per QFT Share for aggregate gross proceeds of \$977,500.

The Company estimated the flow-through share premium to be \$97,750 on the issuance of the FT Units and the QFT Units and had recognized this amount as a liability prior to the renunciation of the exploration expenditures.

Each FT Unit and QFT Unit is comprised of one common share ("Common Share") and one-half 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 \$0.075 expiring on December 30, 2024. The FT Share and the QFT Share 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 \$97,750, issued 977,500 acquisition shares and issued 472,500 broker warrants exercisable at a price of \$0.075 per common share expiring on December 30, 2024.

The 977,500 acquisition shares were valued at \$0.045 per share, the closing price of the Company's common shares on December 30, 2022.

The fair value of the 777,500 broker warrants, with an exercise price of \$0.075, was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 4.06%, a dividend yield of nil, an expected annual volatility of the Company's share price of 159%, an expected life of 2 years, and a spot price of \$0.045.

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5. COMMON STOCK (continued):

b) Issued (continued):

The fair value of the warrants was \$0.03 per warrant. The expected volatility assumption is based on the estimated volatility of comparable 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.

During the six-month period ended March 31, 2022, the Company issued the following common shares:

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

The Company estimated the flow-through share premium to be \$385,687 on the issuance of the FT Shares and had recognized this amount as a liability prior to the renunciation of the exploration expenditures.

Each Unit is comprised of one common share ("Common Share") and one-half 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 \$151,640 and issued 857,000 finder warrants exercisable at a price of \$0.20 per common share expiring on December 21, 2023.

The fair value of the 857,000 finder warrants, with an exercise price of \$0.20, was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 0.93%, a dividend yield of nil, an expected annual volatility of the Company's share price of 125%, an expected life of 2 years, and a spot price of \$0.115. The fair value of the warrants was \$0.06 per warrant. The expected volatility assumption is based on the estimated volatility of comparable 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.

- ii) The Company issued 335,000 common shares at \$0.10 per share pursuant to the exercise of 335,000 warrants. At the time the warrants were exercised, the weighted average share price was \$0.15.
- iii) The Company issued 100,000 common shares at \$0.165 per share pursuant to the acquisition of mineral claims (Charlevoix Silica project) (Note 4).

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5. COMMON STOCK (continued):

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 at March 31, 2023, there were 1,080,000 common shares remaining in escrow.

6. SHARE-BASED PAYMENTS

a) Warrants:

The changes in warrants issued during the periods ended March 31, 2023 and 2022 are as follows:

| | Six-month period ended March 31, 2023 | | Six-month period ended March 31, 2022 | |
|-------------------------------|---|--|---|--|
| | Number of warrants | Weighted- average exercise price | Number of warrants | Weighted- average exercise price |
| Balance, beginning of period | 16,162,000 | \$ 0.10 | 11,012,500 | \$ 0.10 |
| Issued | 10,552,500 | \$ 0.075 | 4,044,500 | \$ 0.20 |
| Expired | (10,404,000) | \$ 0.05 | - | \$ - |
| Exercised | - | \$ 0.10 | (335,000) | \$ 0.10 |
| Balance, end of period | 16,310,500 | \$ 0.11 | 14,722,000 | \$ 0.12 |

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6. SHARE-BASED PAYMENTS (continued):

b) Warrants (continued):

Warrants exercisable and outstanding as at March 31, 2023 are as follows:

| Expiry Date | Number of warrants | Exercise Price |
|-------------------|--------------------|----------------|
| April 1, 2023 | 213,500 | \$0.10 |
| December 21, 2023 | 3,944,500 | \$0.20 |
| December 30, 2024 | 10,552,500 | \$0.075 |
| August 1, 2025 | 1,500,000 | \$0.15 |
| October 28, 2026 | 100,000 | \$0.15 |
| | 16,310,500 | - |

The fair value of warrants issued for services is estimated using the Black-Scholes Option Pricing Model with the following details and assumptions:

| | Six-months ended March 31, | |
|---|-------------------------------|-----------|
| | 2023 | 2022 |
| Weighted average fair value at issue date | \$0.03 | \$0.09 |
| Spot price | \$0.045 | \$0.15 |
| Weighted average risk-free interest rate | 4.06% | 1.04% |
| Expected life | 2 years | 2.3 years |
| Expected volatility | 159% | 80% |
| Expected dividend yield | 0% | 0% |
| Forfeiture rate | 0% | 0% |

The expected volatility assumption is based on the volatility of stock prices for comparable early-stage public companies. The risk-free interest rate is based on yield curves on Canadian government zero-coupon bonds or Canadian government treasury bills with a remaining term equal to the warrants' expected life.

c) 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.

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6. SHARE-BASED PAYMENTS (continued):

c) Stock Options:

During the six-month period ended March 31, 2023, no stock options were granted by the Company.

During the six-month period ended March 31, 2022, the Company granted the following stock options:

- On October 27, 2021, the Company granted 550,000 stock options to various consultants of the Company. Each option is exercisable to acquire a common share at an exercise price of \$0.20. The stock options expire on October 27, 2023 and vested immediately upon grant. The Company recognized \$40,000 for share-based payments.
- On January 31, 2022, the Company granted 1,100,000 stock options to various consultants of the Company. Each option is exercisable to acquire a common share at an exercise price of \$0.075. The stock options expire on January 31, 2024 and vested immediately upon grant. The Company recognized \$32,000 for share-based payments.
- On March 16, 2022, the Company granted 200,000 stock options to various consultants of the Company. Each option is exercisable to acquire a common share at an exercise price of \$0.09. The stock options expire on March 17, 2024 and vested immediately upon grant. The Company recognized \$7,900 for share-based payments.

The changes in stock options issued during the periods ended March 31, 2023 and 2022 are as follows:

| | Six-month period ended March 31, 2023 | | Six-month period ended March 31, 2022 | |
|------------------------------|---|--|---|--|
| | Number of options | Weighted- average exercise price | Number of options | Weighted- average exercise price |
| Balance, beginning of period | 4,450,000 | \$ 0.11 | 2,600,000 | \$ 0.10 |
| Granted | - | \$ - | 1,850,000 | \$ 0.11 |
| Balance, end of period | 4,450,000 | \$ 0.11 | 4,450,000 | \$ 0.11 |

Stock options exercisable and outstanding as at March 31, 2023 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 |
| January 31, 2024 | 1,100,000 | \$0.075 |
| March 16, 2024 | 200,000 | \$0.09 |
| | 4,450,000 | - |

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7. RELATED PARTY TRANSACTIONS

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-and six-month periods ended March 31, 2023 and 2022.

a) Compensation of key management personnel

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

| | Three-months ended March 31, | | Six-months ended ended March 31, | |
|---|------------------------------------|------------------|--|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Management fees | \$ 18,000 | \$ 7,000 | \$ 34,000 | \$ 19,000 |
| Share-based payments - vested stock options | - | 7,900 | - | 29,718 |
| Other long-term benefits | 5,342 | - | 26,657 | 3,000 |
| | <u>\$ 23,342</u> | <u>\$ 14,900</u> | <u>\$ 60,657</u> | <u>\$ 51,718</u> |

- i) During the six-month period ended March 31, 2023, the Company paid \$12,000 (2022 - \$12,000) to a company controlled by the CEO of the Company.
- ii) During the six-month period ended March 31, 2023, the Company paid \$10,000 (2021 - \$7,000) to a company controlled by the CFO of the Company.
- iii) During the six-month period ended March 31, 2023, the Company paid \$12,000 (2021 - \$nil) to a company controlled by the COO of the Company.

b) Other related party transactions

- i) During the six-month period ended March 31, 2023, the Company paid \$25,657 (2022 - \$3,000) for rent and geological services to a company controlled by the CEO of the Company.

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8. FINANCIAL INSTRUMENTS

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management manages financial risks. The Company does not enter into financial instruments agreements, including derivative financial instruments for speculative purposes. There were no changes to the Company's risk exposures during the six-month period ended March 31, 2023. The Company's main financial risks exposure and its financial policies are as follows:

a) 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. The Company's cash is exposed to credit risk, with the carrying value being the Company's maximum exposure. The Company's cash consists of funds held at a Canadian chartered bank or occasionally in trust with the Company's corporate lawyer. Management believes the Company's exposure to credit risk is minimal.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as cash only comprise funds held at a Canadian chartered bank as at March 31, 2023. The Company had no interest rate swaps or financial contracts in place as at or during the period ended March 31, 2023.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company seeks to ensure that it has sufficient capital to meet short term financial obligations after taking into account its operating obligations and cash on hand.

Fair value estimates are made at the statement of financial position date, based on relevant market information and other information about financial instruments. As at March 31, 2023, the Company's financial instruments are cash and cash equivalents and, trade and other payables. The amounts reflected in the statement of financial position approximate their fair values due to the short-term nature of these financial instruments.

9. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares and its principal source of cash is from the issuance of common shares and special warrants. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to acquire and explore mineral property assets. The Company does not have any externally imposed capital requirements to which it is subject. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new equity instruments.

The Company's strategy for managing capital has not changed since the year ended September 30, 2022.

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9. CAPITAL MANAGEMENT (continued):

As the Company's mineral properties are in the exploration stage, the Company is dependent on external financing to fund its activities. To carry out its operations, the Company will spend its existing working capital and raise additional amounts as needed.

10. SEGMENTED REPORTING

The Company operates in a single reportable segment being the acquisition and exploration of mineral property assets in Canada.

11. SUBSEQUENT EVENTS

- i) Subsequent to the period ended March 31, 2023, an aggregate of 2,600,000 options with an exercise price of \$0.10 expired unexercised.
- ii) Subsequent to the period ended March 31, 2023, an aggregate of 213,500 warrants with an exercise price of \$0.10 expired unexercised.
- iii) Subsequent to the period ended March 31, 2023, an aggregate of 360,000 common shares were released from escrow.