

**QUEBEC INNOVATIVE MATERIALS CORP.**  
**(formerly Quebec Silica Resources Corp.)**  
**INTERIM MD&A – QUARTERLY HIGHLIGHTS**  
**FOR THE THREE- AND SIX-MONTH PERIODS ENDED MARCH 31, 2023**

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**Background and Corporate Update**

This Management Discussion and Analysis – Quarterly Highlights (“Quarterly Highlights”) for Quebec Innovative Materials Corp. (formerly Quebec Silica Resources Corp.), (the “Company”) is prepared as at May 29, 2023 and should be read in conjunction with both the Company’s unaudited condensed interim financial statements for the three-and six-month periods ended March 31, 2023 and with its audited financial statements as at and for the year ended September 30, 2022.

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

The unaudited condensed interim financial statements for the three-month period ended December 31, 2022, and comparative information presented therein, have been prepared in accordance with International Financial Reporting Standard (“IFRS”) and with International Accounting Standard 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board (“IASB”).

All dollar figures included therein and in the following Quarterly Highlights are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company’s principal business activities include the acquisition and exploration of mineral resource properties. The Company has one contiguous exploration property located in south-western Quebec totaling approximately 923 hectares known as the Charlevoix Silica Project.

**Forward-Looking Statements**

Certain statements contained in the MD&A may constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks include, but are not limited to, the Company’s business plans focussed on the exploration and development of its mineral properties; proposed work programs on its mineral properties; costs and timing of future exploration and development activities; timing and receipt of approvals, consents and permits under applicable legislation; use of available funds and ability for the Company to raise additional funds; business objectives and milestones; and adequacy of financial resources. A more detailed discussion of forward-looking statements is included in the Company’s Prospectus dated March 31, 2021. Readers are cautioned not to place undue reliance on forward-looking statements.

**Risks and Uncertainties**

Due to the nature of the Company’s business and the present stage of development of its business, the Company is subject to significant risks. Readers should carefully consider all such risks. Risk factors include, but are not limited to, limited operating history, speculative nature of mineral exploration, dilution, mineral titles, loss of interest in properties, permits and government regulations, environmental and safety regulations and risks, fluctuating mineral prices, financing risks and competition. A more detailed discussion of these risk factors is included in the Company’s Prospectus dated March 31, 2021 and can be found on [www.sedar.com](http://www.sedar.com).

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

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**FOR THE THREE- AND SIX-MONTH PERIODS ENDED MARCH 31, 2023**

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.

**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
<b>Acquisition Costs</b>					
Mineral claims - cash	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ 10,357
Mineral claims - common shares	-	-	275,000	275,000	936,500
Mineral claims - warrants	-	-	-	-	70,400
	<u>5,000</u>	<u>-</u>	<u>275,000</u>	<u>280,000</u>	<u>1,017,257</u>
<b>Exploration Costs</b>					
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
	<u>457,362</u>	<u>37,500</u>	<u>-</u>	<u>494,862</u>	<u>1,487,446</u>
Total exploration & evaluation expenditures	<u>\$ 462,362</u>	<u>\$ 37,500</u>	<u>\$ 275,000</u>	<u>\$ 774,862</u>	<u>\$ 2,504,703</u>

**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 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.

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**FOR THE THREE- AND SIX-MONTH PERIODS ENDED MARCH 31, 2023**

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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 Causapsal 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.

#### **St. Lawrence Hydrogen Gas Project**

On November 7, 2022, the Company entered into a 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

**QUEBEC INNOVATIVE MATERIALS CORP.**  
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**INTERIM MD&A – QUARTERLY HIGHLIGHTS**  
**FOR THE THREE- AND SIX-MONTH PERIODS ENDED MARCH 31, 2023**

---

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.

**Analysis of the Company's Financial Performance and Condition**

The following is a summary of the Company's results for the eight most recently completed quarters (in Canadian dollars (\$)):

	Revenue \$	Net Loss \$	Loss per share \$	Total Assets \$	Total Liabilities \$	Working Capital \$
March 31, 2023	nil	203,968	0.00	1,475,524	228,627	1,246,897
December 31, 2022	nil	805,773	0.02	2,048,407	570,067	1,478,340
September 30, 2022	nil	638,036	0.02	1,488,625	260,905	1,227,720
June 30, 2022	nil	209,476	0.005	1,889,446	278,190	1,611,256
March 31, 2022	nil	215,812	0.005	2,087,027	310,596	1,776,431
December 31, 2021	nil	170,069	0.005	2,443,330	490,986	1,952,344
September 30, 2021	nil	35,321	0.00	692,697	16,716	675,981
June 30, 2021	nil	495,797	0.02	722,564	11,262	711,302
March 31, 2021	nil	121,115	0.01	814,678	39,279	775,399

**Six-months ended March 31, 2023**

The Company reported a loss of \$1,009,741 (2022 – \$385,881) and a loss per share of \$0.02 (2022 - \$0.01) for the six-months ended March 31, 2023. The loss was comprised of the following items:

- The Company incurred \$56,996 in consulting fees (2022 - \$10,000). These fees were related to various financial advisory services with regards to strategic planning activities.
- Corporate development costs were \$34,885 (2022 – \$7,356). These costs were higher in the current year as the Company engaged in various investor relation and promotional activities to promote the Company's exploration work.
- The Company incurred \$79,585 (2022 - \$26,618) in general and administration costs. These costs relate to office rents and support staff. The increased costs for the current year can be attributed to additional office and support staff costs.
- Exploration and evaluation expenditures were \$774,862 (2022 - \$289,804). The main cost can be attributed to the 5,000,000 shares issued and valued at \$275,000 issued for the St. Lawrence Hydrogen Project and geological expenditures of \$342,042 incurred on the Charlevoix Silica Project. A summary of the expenditures can be found in Note 3 of the Company's December 31, 2022 condensed interim financial statements.

**QUEBEC INNOVATIVE MATERIALS CORP.**  
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**FOR THE THREE- AND SIX-MONTH PERIODS ENDED MARCH 31, 2023**

---

- Management fees were \$34,000 (2022 - \$19,000) and consisted of \$12,000 (2022 - \$12,000) and \$10,000 (2022 - 7,000) paid to the Company's CEO and CFO respectively. The Company also paid \$12,000 (2022 - nil) to the COO.
- Professional fees were \$26,129 (2022 - \$34,386) and primarily consisted of \$16,345 (2022 - \$18,589) for legal fees and \$9,784 (2022 - \$15,557) for accounting and audit fees. The higher fees in the previous year can be attributed to additional business activities at that time.
- Regulatory, transfer agent and filing fees were \$22,193 (2022 - \$13,987) and consisted of monthly CSE listing and transfer agent fees.
- The Company incurred \$nil (2022 - \$79,900) for share-based payments. During the six-month periods ended March 31, 2023 and 2022, the Company had granted nil and 1,850,000 stock options respectively.

**Three-months ended March 31, 2023**

The Company reported a loss of \$203,968 (2022 - \$215,812) and a loss per share of \$0.00 (2021 - \$0.02) for the three-months ended March 31, 2023. The loss was comprised of the following items:

- The Company incurred \$15,100 in consulting fees (2022 - \$3,000). These one-time fees for the three-month period ended March 31, 2023 were related to various financial advisory services with regards to strategic planning activities.
- Corporate development costs were \$19,121 (2022 - \$965). These costs were higher compared to the corresponding period as the Company engaged in various investor relation activities to promote the Company's exploration activities.
- The Company incurred \$30,893 (2022 - \$17,845) in general and administration costs. These costs relate to office rents and support staff.
- Exploration and evaluation expenditures were \$115,320 (2022 - \$211,745). The main cost can be attributed to general explorations costs incurred on the Company's Charlevoix property. These costs can be attributed to the completion of a wildlife survey and various channeling sampling work.
- Management fees were \$18,000 (2022 - \$7,000) and consisted of \$6,000 (2022 - \$3,000) and \$3,000 (2022 - \$4,000) paid to the Company's CEO and CFO respectively. The Company also paid \$9,000 (2022 - \$nil) to the COO.
- Professional fees were \$7,435 (2022 - \$15,797) and consisted of \$1,196 (2022 - \$240) for legal fees and \$6,240 (2022 - \$15,557) for accounting and audit fees.
- Regulatory, transfer agent and filing fees were \$16,357 (2022 - \$9,552) and consisted of monthly CSE listing and transfer agent fees.
- The Company incurred \$nil (2022 - \$39,900) for share-based payments. During the three-month periods ended March 31, 2023 and 2022, the Company had granted nil and 1,300,000 stock options respectively.

**Liquidity and Capital Resources**

As at March 31, 2023, the Company's cash position was \$1,379,292 (September 30, 2022 - \$1,365,455) to settle trade liabilities of \$142,409 (September 30, 2022 - \$260,904). The Company had working capital of \$1,246,897 (September 30, 2022 - \$1,227,720). The Company had 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.

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**INTERIM MD&A – QUARTERLY HIGHLIGHTS**  
**FOR THE THREE- AND SIX-MONTH PERIODS ENDED MARCH 31, 2023**

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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 fair value of the 472,500 broker warrants, 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.

During the six-month period ended March 31, 2023, uses of cash by the Company included \$853,832 for operating activities.

No stock options were granted during the six-month period ended March 31, 2023.

#### **Related Party Transactions**

Refer to note 7 of the March 31, 2023 condensed interim financial statements.

#### **Directors and Officers**

At the Company's Annual General Meeting ("AGM") held on March 16, 2023, the shareholders of the Company elected Lisa Thompson and Hani Zabaneh to the board of directors:

Mrs. Thompson has over 20 years of experience as a corporate/securities paralegal, working with both large and small cap companies listed for trading on US and Canadian stock exchanges. For over 5 years, Mrs. Thompson has provided corporate secretarial consulting services for US and Canadian corporations and has also served on various non-profit boards and committees.

Mr. Zabaneh is a consultant specializing in growth funding, mergers, and acquisitions, and transitioning companies to public markets. For over 20 years, Mr. Zabaneh has held both officer and board positions in numerous public companies including Summa Silver Corp., Blue Gold Mining, Auryn Resources, and Sigma Lithium Resources Corporation and currently serves on several boards of public companies.

Mr. Zabaneh was previously, a principal at Orange Capital Corp, a boutique investment bank located in Vancouver, BC. He was also Vice President of Corporate Development at Eventbase Technology Inc., where he was instrumental in helping the company secure Series A financing from a US-based venture capital firm.

Raymond Wladichuk and Ming Jang did not stand for re-election as directors for the Company.

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**INTERIM MD&A – QUARTERLY HIGHLIGHTS**  
**FOR THE THREE- AND SIX-MONTH PERIODS ENDED MARCH 31, 2023**

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As at March 31, 2023, the Company's Directors and Officers were as follows:

Patrick Levasseur	Director
Lisa Thompson	Director
Hani Zabaneh	Director
Raymond Wladichuk	CEO
Luticia Miller	COO
Elyssia Patterson	CFO

On April 28, 2023, the Company accepted the resignation of Elyssia Patterson and appointed Ming Jang as the CFO. Mr. Jang previously served as a director of the Company prior to this appointment.

As at the date of this MD&A, the Company's Directors and Officers are as follows:

Patrick Levasseur	Director
Lisa Thompson	Director
Hani Zabaneh	Director
Raymond Wladichuk	CEO
Ming Jang	CFO
Luticia Miller	COO