

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

Financial Statements
For the Years Ended September 30, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Quebec Innovative Materials Corp. (formerly Quebec Silica Resources Corp.):

Opinion

We have audited the financial statements of Quebec Innovative Materials Corp. (formerly Quebec Silica Resources Corp.) (the “Company”), which comprise the statements of financial position as at September 30, 2023 and 2022, and the statements of loss and comprehensive loss, statements of changes in shareholders’ equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which describes the events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended September 30, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section of our auditor’s report, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Aycha Aziz.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
January 29, 2024

Quebec Innovative Materials Corp.
(formerly Quebec Silica Resources Corp.)
Statements of Financial Position
(Stated in Canadian Dollars)

	Notes	September 30, 2023	September 30, 2022
ASSETS			
Current assets			
Cash and cash equivalents		\$ 612,779	\$ 1,365,455
Amounts receivable		105,488	84,231
Prepaid expenses		17,044	38,939
TOTAL ASSETS		\$ 735,311	\$ 1,488,625
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		\$ 176,822	\$ 241,175
Due to related parties	8	57,825	19,730
Flow-through share premium liability	5	19,585	-
Total liabilities		254,232	260,905
Shareholders' equity			
Common shares	6	3,843,055	2,757,936
Share-based payments reserve	7	720,075	586,975
Deficit		(4,082,051)	(2,117,191)
Total equity		481,079	1,227,720
TOTAL LIABILITIES AND EQUITY		\$ 735,311	\$ 1,488,625
Nature of operations and going concern	1		
Subsequent events	13		

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 audited financial statements.

Quebec Innovative Materials Corp.
(formerly Quebec Silica Resources Corp.)
Statements of Loss and Comprehensive Loss
(Stated in Canadian Dollars)

	Notes	Year-ended September 30,	
		2023	2022
Expenses			
Consulting fees		\$ 76,996	\$ 41,250
Corporate development		145,220	78,072
General and administrative		123,174	72,586
Exploration & evaluation expenditures	4	1,525,024	1,171,985
Management fees	8	77,100	33,000
Professional fees		57,408	85,308
Regulatory, transfer agent & filing fees		28,325	20,175
Share-based payments	7	109,300	124,200
Loss before other items		(2,142,547)	(1,626,576)
Other income			
Interest income		15,571	7,496
Exploration tax credit		83,951	-
Flow-through share premium	5	78,165	385,687
Loss and comprehensive loss for the year		\$ (1,964,860)	\$ (1,233,393)
Weighted average number of common shares outstanding			
Basic		67,911,734	43,183,172
Diluted		67,911,734	43,183,172
Basic and diluted loss per common share		\$ (0.03)	\$ (0.03)

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

Quebec Innovative Materials Corp.
(formerly Quebec Silica Resources Corp.)
Statements of Changes in Shareholders' Equity
(Stated in Canadian Dollars)

	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	977,500	-	-	977,500
Share issue costs	-	(193,619)	23,800	-	(169,819)
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	7,000,000	355,000	-	-	355,000
Share-based payments	-	-	109,300	-	109,300
Loss and comprehensive loss for the year	-	-	-	(1,964,860)	(1,964,860)
Balance at September 30, 2023	75,909,001	\$ 3,843,055	\$ 720,075	\$ (4,082,051)	\$ 481,079

	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	-	(215,381)	51,100	-	(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	3,100,000	211,500	-	-	211,500
Warrants issued for exploration and evaluation properties	-	-	70,400	-	70,400
Share-based payments	-	-	124,200	-	124,200
Loss and comprehensive loss for the year	-	-	-	(1,233,393)	(1,233,393)
Balance at September 30, 2022	48,381,501	\$ 2,757,936	\$ 586,975	\$ (2,117,191)	\$ 1,227,720

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

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

Statements of Cash Flows
(Stated in Canadian Dollars)

	Year-ended September 30,	
	2023	2022
Operating activities		
Loss for the year	\$ (1,964,860)	\$ (1,233,393)
Items not involving cash:		
Exploration & evaluation expenditures paid by shares and warrants	355,000	281,900
Share-based payments	109,300	124,200
Flow-through share premium	(78,165)	(385,687)
Changes in non-cash working capital items:		
Amounts receivable	(21,257)	(80,700)
Prepaid expenses	21,895	(34,917)
Trade and other payables	(26,258)	244,190
Net cash used in operating activities	(1,604,345)	(1,084,407)
Financing activity		
Proceeds from issuance of common shares, net of issue costs	851,669	1,764,719
Net cash provided by financing activity	851,669	1,764,719
Change in cash during the year	(752,676)	680,312
Cash and cash equivalents, beginning of the year	1,365,455	685,143
Cash and cash equivalents, end of the year	\$ 612,779	\$ 1,365,455
Cash and cash equivalents consists of:		
Cash	\$ 112,779	\$ 1,365,455
Cash equivalents	500,000	-
	\$ 612,779	\$ 1,365,455
Supplemental Cash Flow Information		
Income taxes paid	\$ -	\$ -
Interest paid (received)	\$ -	\$ -
Non-cash Financing Activities		
Fair value of finder warrants for common share issue costs	\$ 23,800	\$ 51,100

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

Quebec Innovative Materials Corp.
(formerly Quebec Silica Resources Corp.)
Notes to the Financial Statements
September 30, 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 January 11, 2023, the Company changed its name from Quebec Silica Resources Corp. to Quebec Innovative Materials 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”) and currently trades under the symbol “QIMC”.

These 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 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 September 30, 2023, the Company had not yet achieved profitable operations, has accumulated losses of \$4,082,051 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.

2. BASIS OF PRESENTATION

- a) Statement of compliance

The Company has prepared its financial statements in accordance with IFRS issued by the IASB and Interpretations of the IFRS Interpretations Committee (“IFRICs”).

Quebec Innovative Materials Corp.
(formerly Quebec Silica Resources Corp.)
Notes to the Financial Statements
September 30, 2023 and 2022
(Stated in Canadian Dollars)

2. BASIS OF PRESENTATION (continued):

b) Basis of presentation

The financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated. The financial statements have been prepared on an accrual basis, except for the statement of cash flows, and are based on historical costs except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

c) Approval of the financial statements

The financial statements of the Company for the year ended September 30, 2023 were reviewed, approved and authorized for issuance by the Board of Directors on January 29, 2024.

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, and none of which are expected to have a material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents in the statements of financial position is comprised of cash at banks and short-term deposits with an original maturity of twelve months or less, are readily convertible into a known amount of cash, and subject to insignificant risk of changes in fair value.

b) Foreign currencies

The financial statements are presented in Canadian dollars. The Company's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Company operates.

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency rate of exchange at the date of the statement of financial position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Quebec Innovative Materials Corp.
(formerly Quebec Silica Resources Corp.)
Notes to the Financial Statements
September 30, 2023 and 2022
(Stated in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

c) Mineral properties and exploration and evaluation expenditures

Costs incurred before the Company has obtained the legal rights to explore an area are expensed in the period in which they are incurred.

The costs incurred to obtain the legal rights to explore an area are expensed in the period incurred. These costs include the cash consideration and the estimated fair market value of share-based payments issued for such property interests. Option payments which are solely at the Company's discretion are recorded as acquisition costs as they are made.

Exploration and evaluation costs are expensed until the determination of the technical feasibility and the commercial viability of the associated project. Exploration costs include costs directly related to exploration and evaluation activities in the areas of interest. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when economically recoverable reserves exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. This determination is normally evidenced by the completion of a technical feasibility study.

Expenditures to develop new mines, to define further mineralization in mineral properties which are in the development or operating stage, and to expand the capacity of operating mines, are capitalized and amortized on a units-of-production basis over proven and probable reserves.

Government tax credits received are recorded as other income on the Company's Statement of Loss and Comprehensive Loss.

When a project is deemed to no longer have commercially viable prospects to the Company, capitalized costs in respect of that project are deemed to be impaired. As a result, those capitalized costs, in excess of estimated recoveries, are charged to profit or loss.

The Company assesses mineral property assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use.

Recoverability of the carrying amount of any mineral property assets is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

d) Impairment of assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Quebec Innovative Materials Corp.
(formerly Quebec Silica Resources Corp.)
Notes to the Financial Statements
September 30, 2023 and 2022
(Stated in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

d) Impairment of assets (continued):

The recoverable amount of assets is the greater of an asset's fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous periods.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

e) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, along with a corresponding liability as the obligation to incur such costs arises. The timing of the actual expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are recognized in profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable. The Company currently has no known material restoration, rehabilitation and environmental obligations.

f) Share capital

Common shares, options and warrants are classified as equity. Transaction costs directly attributable to the issue of common shares, options and warrants are recognized as a deduction from equity, net of any tax effects.

Quebec Innovative Materials Corp.
(formerly Quebec Silica Resources Corp.)
Notes to the Financial Statements
September 30, 2023 and 2022
(Stated in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

f) Share capital (continued):

The Company bifurcates units which consist of common shares and share purchase warrants using the residual value approach, whereby it measures the common share component of the unit at fair value using market prices as input values and then allocates the residual value, if any, of the units over the fair value of the common shares to the warrant component. The value of the warrant component is credited to share-based payments reserve. When warrants are exercised, forfeited or expire, the corresponding value is transferred from share-based payments reserve to common shares.

g) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: (a) share capital, for the fair value of common shares without a flow-through feature (based on quoted trading prices), and (b) a flow-through share premium liability, for the amount investors pay for the flow-through feature (in excess of the quoted trading price of the common shares). As resource expenditures are incurred, the Company derecognizes the liability and recognizes other income.

When flow-through units are issued with share purchase warrants, the Company does not allocate any value to the share purchase warrant and bifurcates the flow-through units into: (a) share capital, for the fair value of common shares without a flow-through feature (based on quoted trading price), and (b) a flow-through share premium liability, for the amount investors pay for the flow-through feature (in excess of the quoted trading price of the common share).

Proceeds from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until qualifying expenditures are incurred.

h) Share-based payments

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

Where equity instruments are issued for goods or services to other than employees, the transaction is measured at the fair value of the goods or services received by the Company. When the value of the goods or services cannot be specifically identified, they are measured at the fair value of the share-based payment.

Quebec Innovative Materials Corp.
(formerly Quebec Silica Resources Corp.)
Notes to the Financial Statements
September 30, 2023 and 2022
(Stated in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

h) Share-based payments (continued):

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“vesting date”). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share-based payments reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional amount is recognized on the same basis as the amount of the original award for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the recipient as measured at the date of modification.

i) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted by the date of the statement of financial position.

Deferred tax

Deferred taxes are provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Quebec Innovative Materials Corp.
(formerly Quebec Silica Resources Corp.)
Notes to the Financial Statements
September 30, 2023 and 2022
(Stated in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

i) Taxation (continued):

Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the date of each statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the date of each statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

j) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the period available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. The Company uses the treasury stock method of calculating fully diluted earnings per share amounts, whereby any proceeds from the exercise of dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. Basic and diluted loss per share are the same for the periods presented, as the effect of potentially dilutive instruments outstanding, during the periods presented, would be anti-dilutive.

Quebec Innovative Materials Corp.
(formerly Quebec Silica Resources Corp.)
Notes to the Financial Statements
September 30, 2023 and 2022
(Stated in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

k) Financial instruments

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels.

The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

i) Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectation of recovering the contractual cash flows of a financial asset.

ii) Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- a) those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and,
- b) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

k) Financial instruments (continued):

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

The Company's financial assets consist of cash and cash equivalents which is classified and subsequently measured at amortized cost using the effective interest rate method. The Company's financial liabilities consist of trade and other payables and due to related parties, which are classified and measured at amortized cost using the effective interest rate method. The 'effective interest rate' is the rate that discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets. Interest expense is reported in profit or loss.

iii) Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportable forward-looking information.

l) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

l) Significant accounting judgments and estimates (continued):

The areas that require significant estimations or where measurements are uncertain are as follows:

Share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying accounting policies in the Company's financial statements include:

Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

4. EXPLORATION AND EVALUATION PROPERTIES

A summary of the Company's exploration and evaluation expenditures for the year-ended September 30, 2023 is as follows:

	Charlevoix Silica Project	Roncevaux and Martinville Property	Ville- Marie Project	River Valley Silica Project	Year-ended September 30, 2023
Acquisition Costs					
Mineral claims - cash	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Mineral claims - common shares	-	-	275,000	80,000	355,000
	5,000	-	275,000	80,000	360,000
Exploration Costs					
Equipment & supplies	323,905	-	2,420	35,152	361,477
Food & lodging	87,735	-	2,720	6,065	96,520
Geochemistry	47,072	-	3,472	-	50,544
Geological field work	477,091	37,500	17,180	41,198	572,969
Geophysics	36,090	-	-	-	36,090
Transportation	41,133	-	3,626	2,665	47,424
	1,013,026	37,500	29,418	85,080	1,165,024
Total exploration & evaluation expenditures	\$ 1,018,026	\$ 37,500	\$ 304,418	\$ 165,080	\$ 1,525,024

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4. EXPLORATION AND EVALUATION PROPERTIES (continued):

A summary of the Company's exploration and evaluation expenditures for the year-ended September 30, 2022 is as follows:

	Charlevoix Silica Project	Roncevaux and Martinville Property	Year-ended September 30, 2022
Acquisition Costs			
Mineral claims - cash	\$ 5,000	\$ -	\$ 5,000
Mineral claims - common shares	16,500	195,000	211,500
Mineral claims - warrants	10,900	59,500	70,400
	<u>32,400</u>	<u>254,500</u>	<u>286,900</u>
Exploration Costs			
Equipment & supplies	3,404	-	3,404
Food & lodging	3,959	-	3,959
Geological field work	601,014	-	601,014
Geophysics	269,572	-	269,572
Transportation	7,136	-	7,136
	<u>885,085</u>	<u>-</u>	<u>885,085</u>
Total exploration & evaluation expenditures	\$ 917,485	\$ 254,500	\$ 1,171,985

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, 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, 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.

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.

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4. EXPLORATION AND EVALUATION PROPERTIES (continued):

Charlevoix Silica Project (continued):

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 (Note 6);
- iii) issuing 100,000 common share purchase warrants (issued) with 50,000 of these warrants restricted from exercising until October 9, 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).

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 warrants was \$0.127 per warrant. The expected volatility assumption was based on the estimated volatility of comparable early-stage mineral exploration companies. The risk-free interest rate was 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 Causapschal 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 Acquisition Share and one-half of an Acquisition Warrant, with each whole Acquisition Warrant entitling HPQ to acquire one common share at a price of \$0.15 for a period of three years expiring August 30, 2025 (Note 6).

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4. EXPLORATION AND EVALUATION PROPERTIES (continued):

Ville Marie 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 Ville Marie 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 \$0.055 per share with a fair value of \$275,000 (Note 6).

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.

River Valley Project

On September 1, 2023, the Company entered into a property purchase agreement for the purchase of 100% interest in three mineral properties, referred to as the River Valley Project located in Quebec. Under the terms of the arm's length transaction, the Company issued 2,000,000 common shares of the Company at \$0.04 per share with a fair value of \$80,000 (Note 6).

The Company also entered into a royalty agreement whereby a royalty on the gross revenues from the sale of raw quartz, silica or any other mineral product from the Property equal to \$2.50 per ton of raw quartz, silica or any other mineral product sold will be paid.

5. FLOW-THROUGH SHARE PREMIUM LIABILITY

During the year-ended September 30, 2023, the Company issued an aggregate of 19,550,000 of flow-through units (each, a “FT Unit”) for gross proceeds of \$977,500 (Note 6). The flow-through premium was \$97,500 prior to the renunciation of eligible exploration expenditures.

As at September 30, 2023, the Company had incurred \$797,906 in eligible expenditures and the flow-through share premium liability was reduced by \$78,165 and recognized in profit or loss during the year. As at September 30, 2023, the Company has an unspent flow-through commitment of \$179,594

During the year-ended September 30, 2022, the Company issued an aggregate of 4,537,500 flow-through shares for gross proceeds of \$907,500 (Note 6). The flow-through premium was determined to be \$385,687 prior to the renunciation of eligible exploration expenditures.

As at September 30, 2022, the Company had incurred \$852,131 in eligible expenditures and the flow-through share premium liability was reduced by \$385,687 and recognized in profit or loss during the year.

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6. COMMON STOCK

a) Authorized:

An unlimited number of common shares with no par value.

b) Issued:

During the year ended September 30, 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 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 eligible exploration expenditures (Note 5).

Each FT Unit and QFT Unit is comprised of one 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 uses the residual value method in valuing these Warrants. As the residual value of the Warrants was allocated to the Flow-through Premium, the fair-value of these Warrants was determined to be \$Nil.

The Company paid finder's fees of \$77,750, issued 977,500 compensation shares and issued 777,500 broker warrants exercisable at a price of \$0.075 per common share expiring on December 30, 2024.

The 977,500 compensation shares were valued at \$0.045 per share, based on market 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.

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.

- ii. On December 12, 2022, the Company issued 5,000,000 common shares at \$0.055 per share with a fair value of \$275,000 pursuant to the acquisition of mineral claims (Ville Marie Project) (Note 4).
- iii. On September 8, 2023, the Company issued 2,000,000 common shares at \$0.04 per share with a fair value of \$80,000 pursuant to the acquisition of mineral claims (River Valley Project) (Note 4).

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6. COMMON STOCK (continued):

b) Issued (continued):

During the year ended September 30, 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 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 uses the residual value method in valuing these Warrants and accordingly allocated \$277,875 to the warrants. 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.

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.
- iii. The Company issued 100,000 common shares at \$0.165 per share with a fair value of \$16,500 pursuant to the acquisition of mineral claims (Charlevoix Silica project) (Note 4).
- iv. The Company issued 3,000,000 Acquisition Units at a price of \$0.10 per unit to HPQ pursuant to the acquisition of mineral claims (Roncevaux and Martinville Property) (Note 4). Each Acquisition Unit is comprised of one Acquisition Share and one-half of an Acquisition Warrant, with each whole Acquisition Warrant entitling HPQ to acquire one common share at a price of \$0.15 for a period of three years following the Closing Date. Acquisition Shares were issued at \$0.065 per share with a fair value of \$195,000.

The fair value of the 1,500,000 Acquisition Warrants was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 3.58%, a dividend yield of nil, an expected annual volatility of the Company's share price of 125%, an expected life of 3 years, and a spot price of \$0.065. The fair value of the Acquisition Warrants was \$0.04 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.

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6. 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 of September 30, 2023, there were 720,000 common shares remaining in escrow (2022 – 1,440,000).

7. SHARE-BASED PAYMENTS

a) Warrants:

The changes in warrants issued during the years ended September 30, 2023 and 2022 are as follows:

	Year-ended September 30, 2023		Year-ended September 30, 2022	
	Number of warrants	Weighted- average exercise price	Number of warrants	Weighted- average exercise price
Balance, beginning of year	16,162,000	\$ 0.13	11,012,500	\$ 0.10
Issued	10,552,500	\$ 0.075	5,544,500	\$ 0.16
Expired	(10,617,500)	\$ 0.10	(60,000)	\$ 0.05
Exercised	-	\$ -	(335,000)	\$ 0.10
Balance, end of year	16,097,000	\$ 0.11¹	16,162,000	\$ 0.13

Warrants exercisable and outstanding as at September 30, 2023 are as follows:

Expiry Date	Number of warrants	Exercise Price
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
	16,097,000	\$0.11¹

¹ Weighted-average exercise price

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7. SHARE-BASED PAYMENTS (continued):

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

	September 30,	
	2023	2022
Weighted average exercise price	\$0.11	\$0.13
Spot price	\$0.045	\$0.065 - \$0.15
Weighted average risk-free interest rate	4.06%	1.66%
Expected life	2 years	2 - 5 years
Expected volatility	159%	125%
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.

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.

During the year ended September 30, 2023, the Company granted the following stock options:

- On September 6, 2023, the Company granted 5,500,000 stock options to various consultants of the Company. Each option is exercisable to acquire a common share at an exercise price of \$0.05. The stock options expire on September 6, 2025 and vested immediately upon grant. The Company recognized \$109,300 for share-based payments.

The fair value of the 5,500,000 stock options was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 4.70%, a dividend yield of nil, an expected annual volatility of the Company's share price of 153.8%, an expected life of 2 years, and a spot price of \$0.03. The fair value of the stock options was \$0.02 per option. 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.

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7. SHARE-BASED PAYMENTS (continued):

b) Stock Options (continued):

During the year ended September 30, 2022, the Company granted the following stock options:

- On March 16, 2022, the Company granted 200,000 stock options to a director 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 16, 2024 and vested immediately upon grant. The Company recognized \$12,900 for share-based payments.

The fair value of the 200,000 stock options was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.83%, a dividend yield of nil, an expected annual volatility of the Company's share price of 150.1%, an expected life of 2 years, and a spot price of \$0.09. The fair value of the stock options was \$0.065 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.

- 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 \$53,200 for share-based payments.

The fair value of the 1,100,000 stock options was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.22%, a dividend yield of nil, an expected annual volatility of the Company's share price of 146.0%, an expected life of 2 years, and a spot price of \$0.08. The fair value of the stock options was \$0.048 per option. 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.

- On October 26, 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 26, 2023 and vested immediately upon grant. The Company recognized \$58,100 for share-based payments.

The fair value of the 550,000 stock options was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 0.98%, a dividend yield of nil, an expected annual volatility of the Company's share price of 131.2%, an expected life of 2 years, and a spot price of \$0.18. The fair value of the stock options was \$0.106 per option. 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.

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7. SHARE-BASED PAYMENTS (continued):

b) Stock Options (continued):

The changes in stock options issued during the years ended September 30, 2023 and 2022 are as follows:

	Year-ended September 30, 2023		Year-ended September 30, 2022	
	Number of options	Weighted- average exercise price	Number of options	Weighted- average exercise price
Balance, beginning of year	4,450,000	\$ 0.11	2,600,000	\$ 0.10
Granted	5,500,000	\$ 0.05	1,850,000	\$ 0.11
Expired	(2,600,000)	\$ 0.10	-	\$ -
Balance, end of year	7,350,000	\$ 0.07	4,450,000	\$ 0.11

Stock options exercisable and outstanding as at September 30, 2023 are as follows:

Expiry Date	Number of options	Exercise Price
October 26, 2023	550,000	\$0.20
January 31, 2024	1,100,000	\$0.075
March 16, 2024	200,000	\$0.10
September 6, 2025	5,500,000	\$0.05
	7,350,000	\$0.07¹

¹ Weighted-average exercise price

8. 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.

The following is a summary of the related party transactions that occurred during the years ended September 30, 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 CFO.

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8. RELATED PARTY TRANSACTIONS (continued):

	Year-ended September 30,	
	2023	2022
Management fees paid or accrued to a company controlled by the CEO and former director of the Company	\$ 21,600	\$ 24,000
Management fees paid or accrued to a company controlled by the CFO of the Company	17,500	-
Management fees paid or accrued to a company controlled by the former CFO of the Company	11,000	9,000
Management fees paid or accrued to a company controlled by the former COO of the Company	21,000	-
Management fees paid to the independent directors of the Company	6,000	-
Share-based payments	78,496	44,591
	<u>\$ 155,596</u>	<u>\$ 77,591</u>

b) Other related party transactions

- i) During the year ended September 30, 2023, the Company incurred \$200,500 (2022 - \$46,364) of exploration expenditures to a company related by a common director. As at September 30, 2023, \$56,710 (2021 - \$nil) of this amount is included in trade and other payables.
- ii) During the year ended September 30, 2023, the Company incurred \$26,902 (2022 - \$nil) in general and administration costs to a company related by a common director. As at September 30, 2023, \$1,115 (2022 - \$nil) of this amount is included in trade and other payables.

9. 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. 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 and cash equivalents is exposed to credit risk, with the carrying value being the Company's maximum exposure. The Company's cash and cash equivalents 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 immaterial. The Company's exposure to and approach to the management of credit risk has not changed from that of the prior year.

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9. FINANCIAL INSTRUMENTS (continued):

b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Management does not believe the Company is exposed to material currency or other price risk. The Company's exposure to and approach to the management of market risk has not changed from that of the prior year.

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 exposed to significant interest rate risk as cash and cash equivalents comprise \$500,000 held at a Canadian chartered bank in cashable GICs which bear interest ranging at 4.45% per annum as at September 30, 2023. A 1% change in interest rates on cash and cash equivalents would have an impact of \$5,000 on net loss.

The Company had no interest rate swaps or financial contracts in place as at or during the years ended September 30, 2023 and 2022.

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 and cash equivalents on hand. The Company's exposure to and approach to the management of liquidity risk has not changed from that of the prior year.

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 September 30, 2023 and 2022, 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.

10. CAPITAL MANAGEMENT

The Company's capital structure consists of the components of shareholders' equity. As at September 30, 2023, the Company's shareholders' equity totaled \$481,079 (2022 - \$1,227,720). The Company's principal source of cash is from the issuance of common shares and 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.

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10. 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. In order to carry out its operations, the Company will spend its existing working capital and raise additional amounts as needed.

The Company's strategy for managing capital did not change during the year ended September 30, 2023.

11. INCOME TAXES

Tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Company, to the income (loss) before income taxes due to the following:

	2023	2022
Earnings (loss) for the year	\$ (1,964,860)	\$ (1,233,393)
Expected income tax (recovery)	\$ (520,688)	\$ (327,159)
Non-deductible items and other	28,965	-
Impact of flow through shares	259,038	(240,461)
Share issue costs	(130,571)	(35,787)
Change in estimate	(65,524)	-
Change in deferred tax assets not recognized	428,780	362,636
Total income tax expense (recovery)	\$ -	\$ (240,771)

The significant components of the Company's unrecorded deferred tax assets are as follows:

	2023	2022
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	\$ 344,954	\$ 213,607
Share issue costs	192,484	123,464
Non-capital losses available for future period	349,314	120,901
	886,752	457,972
Unrecognized deferred tax assets	(886,752)	(457,972)
Net deferred tax assets	\$ -	\$ -

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11. INCOME TAXES (continued):

At September 30, 2023 the Company has non-capital losses of approximately \$1,318,000 expiring between September 30, 2038 to 2043.

At September 30, 2023 the Company has available cumulative exploration and evaluation expenditures of \$1,302,000 (2022 - \$754,000) which carry forward indefinitely.

12. SEGEMENTED REPORTING

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

13. SUBSEQUENT EVENTS

- i) Subsequent to the year ended September 30, 2023, 360,000 common shares of the Company were released from escrow.
- ii) Subsequent to the year ended September 30, 2023, 3,944,500 warrants with an exercise price of \$0.20 expired unexercised.
- iii) Subsequent to the year ended September 30, 2023, 550,000 options with an exercise price of \$0.20 expired unexercised.