

This Management's Discussion and Analysis ("MD&A") prepared as at January 29, 2024, reviews the financial condition and results of operations of Quebec Innovative Materials Corp. (formerly Quebec Silica Resources Corp.) (the "Company") for the financial year ended September 30, 2023 and all other material events up to the date of this report. The following discussion should be read in conjunction with the Company's audited financial statements and related notes for the years ended September 30, 2023 and 2022.

The financial data included in the discussion provided in this report has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretation Committee ("IFRIC"). All dollar amounts are in Canadian dollars, unless otherwise noted.

The Company's certifying officers are responsible for ensuring that the annual audited financial statements and MD&A do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's officers certify that the annual audited financial statements and MD&A fairly present, in all material respects, the financial condition, results of operations and cash flows, of the Company as the date hereof.

## DESCRIPTION AND OVERVIEW OF BUSINESS

The Company was incorporated on May 22, 2018 pursuant to the Business Corporations Act (British Columbia). On April 1, 2021, a Prospectus filed by the Company was given final receipt by the British Columbia Securities Commission. On April 28, 2021, the Company's common shares began trading on the Canadian Securities Exchange ("CSE").

On January 11, 2023, the Company announced it has changed its name to Quebec Innovative Materials Corp. and currently trades under the symbol "QIMC". The name change was preceded by the Company's announcement that it has acquired its first three mineral claim properties in Quebec which are prospective for hydrogen and helium.

The Company's principal business activities include the acquisition and exploration of mineral resource properties.

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

## 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
<b>Acquisition Costs</b>					
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
<b>Exploration Costs</b>					
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
<b>Total exploration &amp; evaluation expenditures</b>	\$ 1,018,026	\$ 37,500	\$ 304,418	\$ 165,080	\$ 1,525,024

QUEBEC INNOVATIVE MATERIALS CORP.  
(formerly Quebec Silica Resources Corp.)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2023

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
<b>Acquisition Costs</b>			
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
	32,400	254,500	286,900
<b>Exploration Costs</b>			
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
	885,085	-	885,085
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, covering an estimated 346.95 hectares located in south-western Quebec, Canada.

The agreement provided for the purchase of these claims in consideration of 1,000,000 common shares of the Company. On February 2, 2021, the Company issued 1,000,000 common shares with a fair value of \$50,000 to complete the acquisition.

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

The agreement provided for the purchase of these claims in consideration of 4,000,000 common shares of the Company. On April 26, 2021, the Company issued the 4,000,000 common shares with a fair value of \$400,000 to complete the acquisition. Certain sellers will retain a 2.0% net smelter royalty ("NSR") from any future production. The Company has the right to reduce the 2.0% NSR to a 1.0% NSR by paying \$1,000,000.

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 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 Causapscaal 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 has 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.

### **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.

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.

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.

## SELECTED ANNUAL INFORMATION

The following table sets forth selected financial information for the Company for the financial years ended September 30, 2023, 2022 and 2021. The information below was derived from the Company's audited financial statements and should be read in conjunction with those financial statements and the notes thereto.

	September 30, 2023 (\$)	September 30, 2022 (\$)	September 30, 2021 (\$)
Total revenues	Nil	Nil	Nil
Loss for the year	(1,964,860)	(1,233,393)	(676,433)
Loss per share <sup>(1)</sup>	(0.03)	(0.03)	(0.03)
Total assets	735,311	1,488,625	692,697
Total current liabilities	254,232	260,905	16,716
Working capital	481,079	1,227,720	675,981

<sup>(1)</sup> Per share amounts are calculated using the weighted average number of shares outstanding. Fully diluted loss per share amounts have not been calculated, as they would be anti-dilutive.

## RESULTS OF OPERATIONS

### *Loss for the year*

The Company reported a net loss and comprehensive loss of \$1,964,860 for the year ended September 30, 2023 compared to a loss of \$1,233,393 for the corresponding year ended September 30, 2022.

- For the year ended September 30, 2023, the Company incurred \$76,996 in consulting fees compared to \$41,250 for the year ended September 30, 2022. The increased costs can be attributed to business development and other initiatives planned during activities during the year.
- For the year ended September 30, 2023, the Company incurred \$145,220 in corporate development costs compared to \$78,072 for the year ended September 30, 2022. The increased cost can be attributed to the Company actively promoting its corporate profile at various investor group presentations.
- General and administrative costs were \$123,174 and \$72,586 for the years ended September 30, 2023 and 2022 respectively. These costs relate to insurance, rent, office supplies and other general costs in maintaining an office. The increased costs can be attributed to the increased activity of the Company during the current year.
- The Company incurred \$1,525,024 in exploration activity during the year ended September 30, 2023 compared to \$1,171,985 during the year ended September 30, 2022. The Company commenced various exploration activities on its exploration assets to meet its flow-through expenditure obligations.
- For the year ended September 30, 2023, the Company incurred professional fees totalling \$57,408 to \$85,308 for the year ended September 30, 2022. The decreased cost can be attributed to the lower than expected accounting and legal fees during the year.
- Share-based payments were \$109,300 and \$124,200 for the years ended September 30, 2023 and 2022 respectively. As the Company was actively recruiting a management team, the Company incurred these share-based incentives to attract qualified candidates.

- The Company recognized other income of \$78,165 and \$385,687 related to the its flow-through.

#### *Total assets*

Total assets of the Company were \$735,311 as at September 30, 2023 compared to assets of \$1,488,625 as at September 30, 2022. This decrease can largely be attributed to fewer proceeds from the issuance of shares/units during the year. The Company realized gross proceeds from equity financing of \$977,500 for the year-ended September 30, 2023 compared to gross proceeds of \$1,895,500 for the year-ended September 30, 2022.

#### *Total liabilities*

As at September 30, 2023, the current liabilities of the Company were \$254,232 compared to \$260,905 as at September 30, 2022.

The Company's current liabilities are primarily comprised of trade payables associated with its exploration activity at the Company's exploration and evaluation properties.

### **SUMMARY OF QUARTERLY RESULTS**

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters:

	Revenue \$	Net Loss \$	Loss per share \$	Total Assets \$	Total Liabilities \$	Working Capital \$
September 30, 2023	Nil	663,466	0.01	735,311	254,232	481,079
June 30, 2023	Nil	291,653	0.00	1,229,026	273,782	955,244
March 31, 2023	Nil	203,968	0.00	1,475,524	228,627	1,246,897
December 31, 2022	Nil	805,773	0.01	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

<sup>(1)</sup> Fully diluted loss per share amounts are not shown as they would be anti-dilutive.

It is the nature of many junior companies that there are no sales or revenue. There can be significant variances in the Company's reported loss from quarter-to-quarter arising from factors that are difficult to anticipate in advance or to predict from past results. Additionally, as the Company expenses its exploration costs, there can be significant fluctuations in spending that are weather dependent.

## FOURTH QUARTER RESULTS

For the three month period ended September 30, 2023, the Company realized a net loss of \$663,466 compared to a loss of \$638,036 for the three month period ended September 30, 2022. The increased loss for the three-month period ended September 30, 2023 can largely be attributed to the increased spending by the Company as follows:

- For the three-month period ended September 30, 2023, the Company incurred \$15,000 in consulting fees compared to \$2,500 for the three-month period ended September 30, 2022. The increased costs can be attributed to business development and other initiatives during activities during the period.
- For the three-month period ended September 30, 2023, the Company incurred \$75,616 in corporate development costs compared to \$58,415 for the three-month period ended September 30, 2022. The increased cost can be attributed to the Company actively promoting its corporate profile at various investor conferences and presentations.
- General and administrative costs were \$27,102 and \$ 25,447 for the three-month periods ended September 30, 2023 and 2022 respectively. These costs relate to insurance, rent, office supplies and other general costs in maintaining an office. The marginal increased costs can be attributed to the higher inflationary cost pressures.
- The Company incurred \$536,198 in exploration activity during the three-month period ended September 30, 2023 compared to \$698,265 during the three-month period ended September 30, 2022. The Company was active in meeting its flow-through obligations during the period.
- For the three-month period ended September 30, 2023, the Company incurred professional fees totalling \$15,987 compared to \$37,956 for the three-month period ended September 30, 2022. The decreased cost can be attributed to the limited activity of the Company requiring professional fees.

## LIQUIDITY AND CAPITAL RESOURCES

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.

In order to finance the Company's operations and overhead expenditures, the Company will be dependent on investor sentiment remaining positive towards the junior companies, and towards the Company in particular, so that funds can be raised through the sale of the Company's securities. Many factors have an influence on investor sentiment, including a positive climate from investors to support junior exploration companies, a company's track record and the experience and calibre of a company's management. There is no certainty that equity funding will be available at the times and in the amounts required to fund the Company's activities. Note 1 of the Company's 2023 audited financial statements further discusses the going concern issue. The financial statements do not include any adjustments that might result from these uncertainties.

The Company has not financed its activities through loan financings. It is anticipated that as general sentiment towards junior companies turns positive, the Company can raise the necessary capital to finance its business objectives.

Debt financing has not been used to finance general operating expenses. There are no other sources of financing that have been arranged by the Company.

The Company had working capital of \$481,079 as at September 30, 2023 compared to working capital of \$1,227,720 as at September 30, 2022. The decrease in working capital can largely be attributed to the lower

proceeds received from the issuance of shares and units in a private placement during the year. During the year ended September 30, 2023, the Company received gross proceeds of \$977,500 compared to gross proceeds of \$1,895,500 from the year ended September 30, 2022.

The Company has no commitments for capital expenditures.

#### *Cash and Financial Conditions*

The Company had a cash balance of \$612,779 as at September 30, 2023 compared to a cash balance of \$1,365,455 as at September 30, 2022. The decrease in cash can largely be attributed to the lower gross proceeds from the issuance of shares and units in a private placement during the year. For the year-ended September 30, 2023, the Company received gross proceeds of \$977,500 from its private placement compared to gross proceeds of \$1,895,500 for the year-ended September 30, 2022.

The Company does not have any unused lines of credit or other arrangements in place to borrow funds and has no off-balance sheet arrangements.

The Company does not use hedges or other financial derivatives.

#### *Financing Activities*

During the year-ended September 30, 2023, the Company issued 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.

- 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 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.

On December 12, 2022, the Company issued 5,000,000 common shares at \$0.055 per share pursuant to the acquisition of mineral claims with a fair value of \$275,000 (Ville Marie Project).

On September 8, 2023, the Company issued 2,000,000 common shares at \$0.04 per share pursuant to the acquisition of mineral claims with a fair value of \$80,000 (River Valley Project).

During the year-ended September 30, 2022, the Company issued an aggregate of 10,712,500 common shares for gross proceeds of \$1,895,500 pursuant to the closing of a non-brokered private placement. The private placement was comprised of: 1) 6,175,000 units ("Unit") and, 2) 4,537,500 flow-through shares ("FT Share").

- Each Unit is priced at \$0.16 per Unit and comprised of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one additional common share at a price of \$0.20 for a period of two years expiring December 21, 2023.
- Each FT Share is priced at \$0.20 per FT Share and is comprised of one common share that qualifies as a "flow-through share" within the meaning of subsection 66(15) of the Income Tax Act (Canada).

The Company paid finder's fees of \$151,640 and issued 857,000 finder warrants exercisable at a price of \$0.20 per common share expiring on December 21, 2023.

On October 28, 2021, the Company issued 100,000 common shares and 100,000 warrants to acquire a 100% interest in certain additional mineral claims located adjacent to its original Charlevoix properties. The warrants entitles the holder to acquire one common share of the Company at a price of \$0.15 for a period of five years expiring October 28, 2026.

On August 30, 2022, the Company issued 3,000,000 Acquisition Units. Each Acquisition Unit is comprised of one Acquisition Share and one-half of an Acquisition Warrant, with each Acquisition Warrant entitling HPQ to acquire one common share of the Company at a price of \$0.15 for a period of three years expiring August 30, 2025.

During the year-ended September 30, 2022, the Company issued 335,000 common shares pursuant to the exercise of 335,000 warrants for gross proceeds of \$33,500.

#### *Investing Activities*

During the year ended September 30, 2023, the Company had cash out flows of \$nil (FY2022 - \$nil) from its investing activities.

### **SECURITIES OUTSTANDING**

As at September 30, 2023 and the date of this MD&A, the Company had 75,909,001 common shares issued and outstanding.

As at September 30, 2023, the Company had 16,097,000 warrants with a weighted average exercise price of \$0.11 issued and outstanding.

Subsequent to the year ended September 30, 2023, an aggregate of 3,944,500 warrants with an exercise price of \$0.20 expired unexercised.

As at the date of this MD&A, the Company had 12,152,500 warrants with a weighted average exercise price of \$0.08 issued and outstanding.

As at September 30, 2023, the Company had 7,350,000 stock options with a weighted average exercise price of \$0.066 issued and outstanding.

Subsequent to the year ended September 30, 2023, an aggregate of 550,000 options with an exercise price of \$0.20 expired unexercised.

As at the date of this MD&A, the Company had 6,800,000 options with a weighted average exercise price of \$0.06 issued and outstanding.

### **OUTLOOK**

It is anticipated that in the continued and foreseeable future, the Company will rely on the equity markets to meet its financing needs. Should cash flow build through its business operations, the Company will be in a position to finance other initiatives from cash flow.

Without continued external funding to pursue and finance any business opportunities, there is substantial doubt as to the Company's ability to operate as a going concern. Although the Company has been successful in raising funds to date, there can be no assurance that additional funding will be available in the future. The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to achieve successful business results or obtain adequate financing. Management and the Board of Directors continuously review and examine business proposals for the Company and conduct their due diligence in respect of the same.



## OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2023 and the date of this report, the Company had no off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

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

The following is a summary of the related party transactions that occurred during the years ended September 30, 2023 and 2022.

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

Transactions with key management personnel include:

	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.

## PROPOSED TRANSACTIONS

There are no proposed transactions other than those previously discussed in this MD&A.

## **CRITICAL ACCOUNTING ESTIMATES**

The Company makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the financial statements are discussed below.

### *Critical judgments*

#### Title to 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.

### *Key sources of estimation uncertainty*

#### 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, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

## **New standards and interpretations not yet adopted**

At the date of authorization of these financial statements, the IASB and IFRS 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.

## **FINANCIAL INSTRUMENTS AND RISK FACTORS**

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs for assets or liabilities that are unobservable.

The fair value of the Company's cash and cash equivalents and trade and other payables approximate their carrying value, which is the amount recorded on the statement of financial position, due to their short term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

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

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2023, the Company had a cash balance of \$612,779 to settle current trade liabilities of \$234,647. The Company expects to fund future expenditures through the issuance of capital stock.

c) 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.

d) 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.

e) Other risks

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.

## FORWARD-LOOKING STATEMENTS

Certain information set forth in this document includes forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including but not limited to: general economic and business conditions; cash flow projections; currency fluctuations; risks relating to our ability to obtain adequate financing for future activities; risks related to government regulations, including environmental regulations and other general market and industry conditions as well as those factors discussed in each management discussion and analysis, available on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. The Company's actual results, programs and financial position could differ materially from those expressed in or implied by these forward-looking statements and accordingly, no assurance can be given that the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Company will derive from them. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and as such, undue reliance should not be placed on forward-looking statements.

The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and as such forward looking statements contained into this report should not be relied upon. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to assumptions about general business and economic conditions, the availability of financing for the Company, the ability to attract and retain skilled staff and the ability to identify and secure a quality asset or a business with a view of completing a transaction subject to receipt of shareholder approval and acceptance by regulatory authorities.

#### **ADDITIONAL SOURCES OF INFORMATION**

Additional information relating to Quebec Innovative Materials Corp. (formerly Quebec Silica Resources Corp.) can be found on the Company's website at [www.qimaterials.com](http://www.qimaterials.com) or on the SEDAR Plus website at [www.sedarplus.ca](http://www.sedarplus.ca).