QUEBEC PRECIOUS METALS CORPORATION
(formerly Canada Strategic Metals)

(an exploration company)

MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended January 31, 2019

This management discussion and analysis (”MD&A”) of Quebec Precious Metals Corporation (the “Company”) complies with Rule 51-102A of the Canadian Securities Administrators regarding continuous disclosure.

The MD&A is a narrative explanation, through the eyes of the management of the Company, of how the Company performed during the year ended January 31, 2019, and of the Company’s financial condition and future prospects. This discussion and analysis supplements, but does not form part of, the audited financial statements for the year ended January 31, 2019. It reports on the Company’s performance for the year ended January 31, 2019, and should therefore be read in conjunction with the audited financial statements as at January 31, 2019 and the notes thereto. This review was prepared by management with information available as at the date of the MD&A.

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at www.sedar.com. The shares of the Company are listed on the TSX Venture Exchange under the symbol CJC, on the OTC Bulletin Board under the symbol CJCFF and on the Frankfurt Exchange under the symbol YXEN.

DATE

The MD&A was prepared on the basis of information available as at May 21, 2019.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that reflect the Company's current expectations regarding future events. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". Forward-looking statements involve risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. There are many factors that could cause such differences, particularly: volatility and sensitivity to market metal prices; impact of change in foreign currency exchange rates and interest rates; imprecision in reserve estimates; environmental risks including increased regulatory burdens; unexpected geological conditions; adverse mining conditions; changes in government regulations and policies, including laws and policies; failure to obtain the necessary permits and approvals from government authorities; and other development and operating risks.

While the Company believes that the assumptions underlying in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document. The Company disclaims any intention or obligation to update or revise any forward-looking statement, whether or not it should be revised because of new information, future events or otherwise, unless required to do so by the applicable securities laws.

NATURE OF ACTIVITIES

Quebec Precious Metals Corporation is incorporated under the Canada Business Corporations Act. The Company was involved in the acquisition, exploration and development of mining projects. The Company is active in Canada.

On June 27, 2018, the Company and Matamec Explorations Inc. ("Matamec") entered into a business combination (the "Business Combination") by way of a plan of arrangement approved by an order of the Superior Court of Canada. Pursuant to the Business Combination, the Company changed its name to Quebec Precious Metals Corporation. It also undertook a consolidation of its common shares on the basis of one post-consolidation common share for 4.16 pre-consolidation common shares.

On February 1st, 2019, the Company has liquidated its subsidiary, Matamec.

ACQUISITION

On June 27, 2018, the Company completed the acquisition of all of the issued and outstanding shares of Matamec, which operates in Québec.

The acquisition of Matamec was effected through an exchange of shares pursuant to which the Company issued 8,813,846 post-consolidation shares in exchange for all issued and outstanding shares of Matamec whose fair value at the acquisition date was $3,849,888. The replacement stock options held by Matamec's directors on the day before the acquisition of $5,589 has also been added to this amount, bringing the total fair value to $3,855,477.

The fair value of the shares issued as consideration has been determined on the basis of the market price of the shares. This acquisition does not represent a business combination as indicated by IFRS 3.

The following table details the fair value of the total consideration transferred and the fair value of identifiable assets acquired and identifiable liabilities assumed at the date of acquisition of Matamec:

Assets acquired:	**$**
Cash	225,463
Tax receivable	52,480
Mining tax and tax credit related to resources receivable	240,109
Prepaid expenses	33,599
	551,651
Investment in share of Quebec Precious Metals Corporation	240,503
Warrants	267,800
Equipment	139,245
Exploration and evaluation assets	4,127,030
Total assets acquired	5,326,229
Liabilities assumed	
Amounts payable and other liabilities [1]	1,470,752
Total liabilities assumed	1,470,752
Fair value of consideration	3,855,477

[1] Following the acquisition of Matamec, certains amounts payable were settled for shares.

OVERALL PERFORMANCE

EEYOU ISTCHEE BAIE-JAMES, QUÉBEC

SAKAMI – GOLD PROJECT

Project Description

The Sakami project consists of one large contiguous block of 213 mineral claims (107.36 km^2) following the addition of 81 mineral claims of the Apple project included in the zone of interest of 5 kilometres. The project is located 90 km northwest of the Eleonore mine (operated by Newmont Goldcorp Corporation ("Newmont")), 570 km north of Val-d'Or and 900 km northwest of Montreal. The project is subject to a Net Smelter Return ("NSR") of 1% on certain claims and a NSR of 2% on 81 claims, half of which can be bought back for $1,000,000.

Work done during the year

Exploration and evaluation expenses of $2,438,524 were incurred on the Sakami project during the period ended January 31, 2019 and $100,424 acquired pursuant to the acquisition of Matamec.

La Pointe sector

The mineralization in the La Pointe sector occurs in two major gold zones (zones 25 and 26) hosted in rocks of the volcano-sedimentary sequence of the Yasinski Group (La Grande Subprovince), metamorphosed to the amphibolite facies and strongly deformed by a WSW-ENE regional event. This assemblage consists mainly of basalts with local sedimentary iron formations and is intersected by tonalitic intrusions that are also highly deformed. These units are structurally overlain by a sequence consisting mainly of biotite-rich paragneiss.

On September 10, 2018, the Company announced the drill results for all 21 holes of the 2018 drilling program on the project (see below). The program totalled 7,226 m of drilling, with the highlights as follows:

- PT-18-116: 3.89 g/t Au over 14.9 m including 4.26 g/t Au over 11.9 m.
- PT-18-118: 3.22 g/t Au over 31.5 m including 5.11 g/t Au over 15.0 m.
- PT-18-120: 3.59 g/t Au over 27.0 m including 5.06 g/t Au over 15.0 m.
- PT-18-127: ended at 502 m with 2.04 g/t Au over 2.5 m.
- Drilling to date has outlined a mineralized area of 800 m long by 450 m wide along dip and to a depth of 400 m below surface.
- There is a significant potential for further extending mineralization at depth and to the west.

Mineralized intersections from the winter 2018 drilling program and drillhole coordinates

Hole	UTM E	UTM N	Length (m)	Azimuth	Dip	From (m)	To (m)	Interval (m)	Au g/t
PT-18-107	375310	5895040	312.0	3.4	-66	250.5	256.5	**6.0**	**1.31**
Including						253.5	256.5	**3.0**	**1.74**
PT-18-107						264.0	265.5	**1.5**	**1.28**
PT-18-107						289.5	291.0	**1.5**	**1.49**
PT-18-108	375213	5894986	363.0	2.0	-66	285.0	313.5	**28.5**	**0.62**
Including						304.5	313.5	**9.0**	**1.13**
Including						309.0	313.5	**4.5**	**1.46**
PT-18-108						319.5	325.5	**6.0**	**1.23**
PT-18-109A	375110	5895020	399.0	2.9	-69	295.5	358.5	**63.0**	**1.10**
Including						300.0	315.0	**15.0**	**3.08**

Hole	UTM E	UTM N	Length (m)	Azimuth	Dip	From (m)	To (m)	Interval (m)	Au g/t
Including						304.5	309.0	**4.5**	**5.31**
Including						304.5	310.5	**6.0**	**4.81**
PT-18-110	375053	5894981	432.0	359.5	-64	343.5	354.0	**10.5**	**1.78**
Including						348.0	354.0	**6.0**	**2.15**
PT-18-111	375008	5894947	501.0	3.5	-68	385.5	390.0	**4.5**	**3.25**
PT-18-111						399.0	400.5	**1.5**	**1.27**
PT-18-111						415.5	418.5	**3.0**	**2.42**
PT-18-111						445.5	450.0	**4.5**	**1.14**
PT-18-112	375099	5894918	480.0	357.2	-70	403.5	415.5	**12.0**	**0.81**
PT-18-113	375162	5894871	472.5	357.9	-68	406.5	445.5	**39.0**	**0.69**
Including						406.5	411.0	**4.5**	**2.98**
PT-18-113						444.0	445.5	**1.5**	**3.40**
PT-18-114	375357	5894964	362.0	2.0	-64	286.5	309.0	**22.5**	**1.00**
Including						294.0	309.0	**15.0**	**1.23**
PT-18-115	375403	5894953	414.0	358.7	-66	270.0	277.5	**7.5**	**1.59**
PT-18-115						306.0	307.5	**1.5**	**2.53**
PT-18-115						412.5	414.0	**1.5**	**3.16**
PT-18-116	374962	5894910	485.0	352.7	-66	423.1	438.0	**14.9**	**3.89**
Including						423.1	435.0	**11.9**	**4.26**
PT-18-117	375402	5895126	213.0	3.0	-61	154.5	157.5	**3.0**	**4.72**
PT-18-118	375244	5895185	174.0	2.0	-55	103.5	135.0	**31.5**	**3.22**
Including						106.5	135.0	**28.5**	**3.47**
Including						112.5	127.5	**15.0**	**5.11**
Including						114.0	120.0	**6.0**	**6.66**
PT-18-119	375216	5895202	193.5	357.4	-52	115.5	117.0	**1.5**	**1.09**
PT-18-119						124.5	136.5	**12.0**	**1.49**
PT-18-119						142.5	151.5	**9.0**	**1.34**
PT-18-119						163.5	165.0	**1.5**	**1.15**
PT-18-120	375216	5895202	204.0	357.4	-65	117.0	144.0	**27.0**	**3.59**
Including						118.5	133.5	**15.0**	**5.06**
Including						118.5	129.0	**10.5**	**6.12**
PT-18-120						201.0	204.0	**3.0**	**1.43**
PT-18-121	375167	5895181	240.0	346.8	-61	150.0	178.5	**28.5**	**0.98**
Including						150.0	156.0	**6.0**	**2.05**
PT-18-122	375088	5895144	279.0	2.0	-64	217.5	235.5	**18.0**	**2.05**
Including						220.5	231.0	**10.5**	**2.41**
PT-18-123	375366	5895154	171.0	8.4	-60	112.5	117.0	**4.5**	**1.10**
PT-18-123						133.5	135.0	**1.5**	**2.67**
PT-18-124	375461	5895088	327.0	358.0	-74	148.5	178.5	**30.0**	**0.99**
Including						148.5	156.0	**7.5**	**1.45**
Including						169.5	178.5	**9.0**	**1.57**
PT-18-124						232.5	238.5	**6.0**	**2.38**
PT-18-125	375258	5894999	339.0	356.1	-63	277.5	280.5	**3.0**	**1.49**
PT-18-125						295.5	304.5	**9.0**	**1.78**

Hole	UTM E	UTM N	Length (m)	Azimuth	Dip	From (m)	To (m)	Interval (m)	Au g/t
Including						301.5	304.5	**3.0**	**3.70**
PT-18-125						316.5	319.5	**3.0**	**1.40**
PT-18-126	375307	5894971	354.0	358.4	-64	289.5	309.0	**19.5**	**2.17**
Including						289.5	300.0	**10.5**	**3.12**
PT-18-126						333.0	336.0	**3.0**	**2.15**
PT-18-127	374910	5894910	512.1	353.3	-69	467.2	512.1	**44.9**	**0.59**
Including						471.0	480.0	**9.0**	**1.04**
Including						499.5	502.0	**2.5**	**2.04**

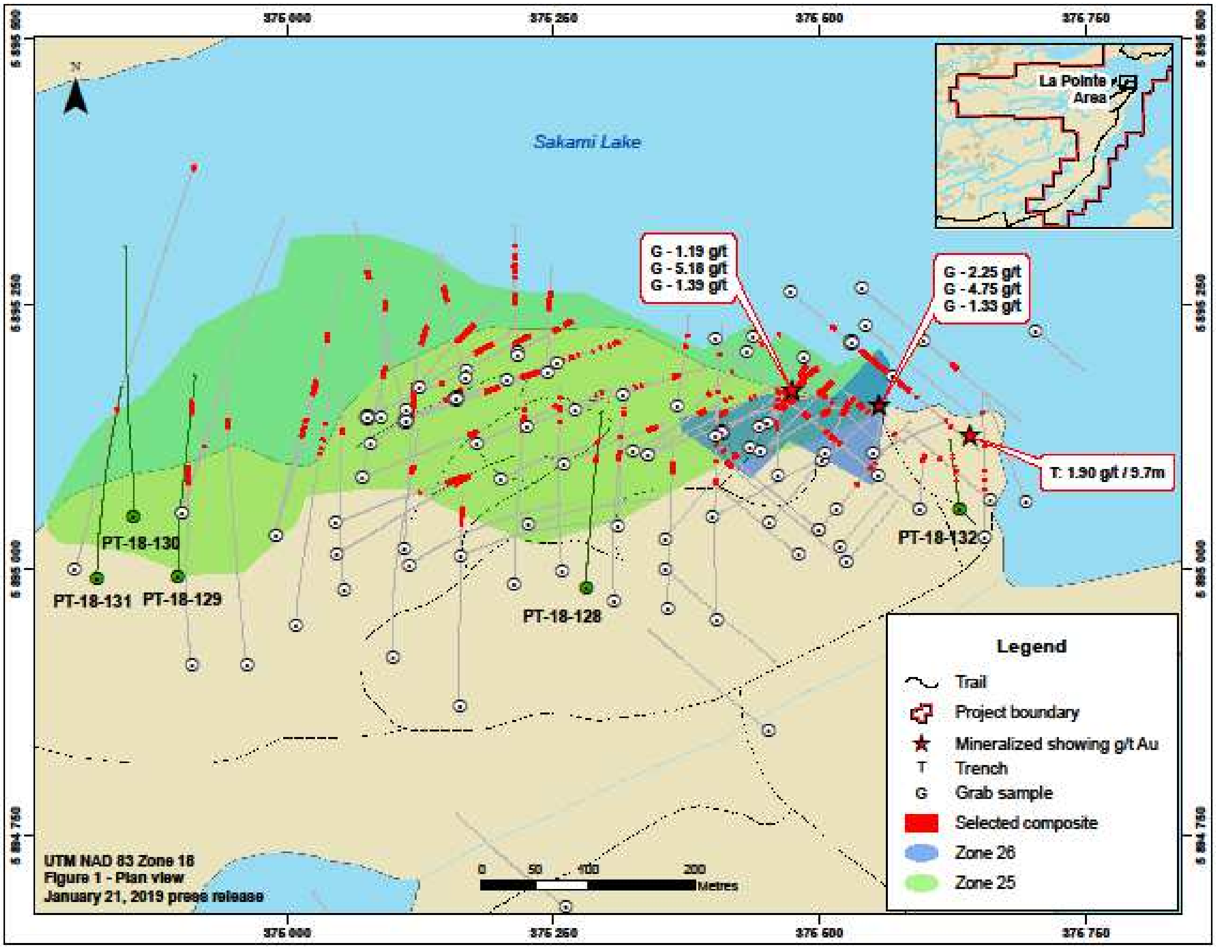
Footnotes:
1. True widths are estimated based on drill angle and interpreted geometry of mineralization and range from 70% to 95% of the drilled length.
2. All gold values are uncut.

On January 21, 2019, the Company announced the results for the five holes drilled between October and December 2018 (see table below and figures 1 and 2). A total of 2,028 m were drilled. The results confirm that the known gold mineralization extends 50 metres westward.

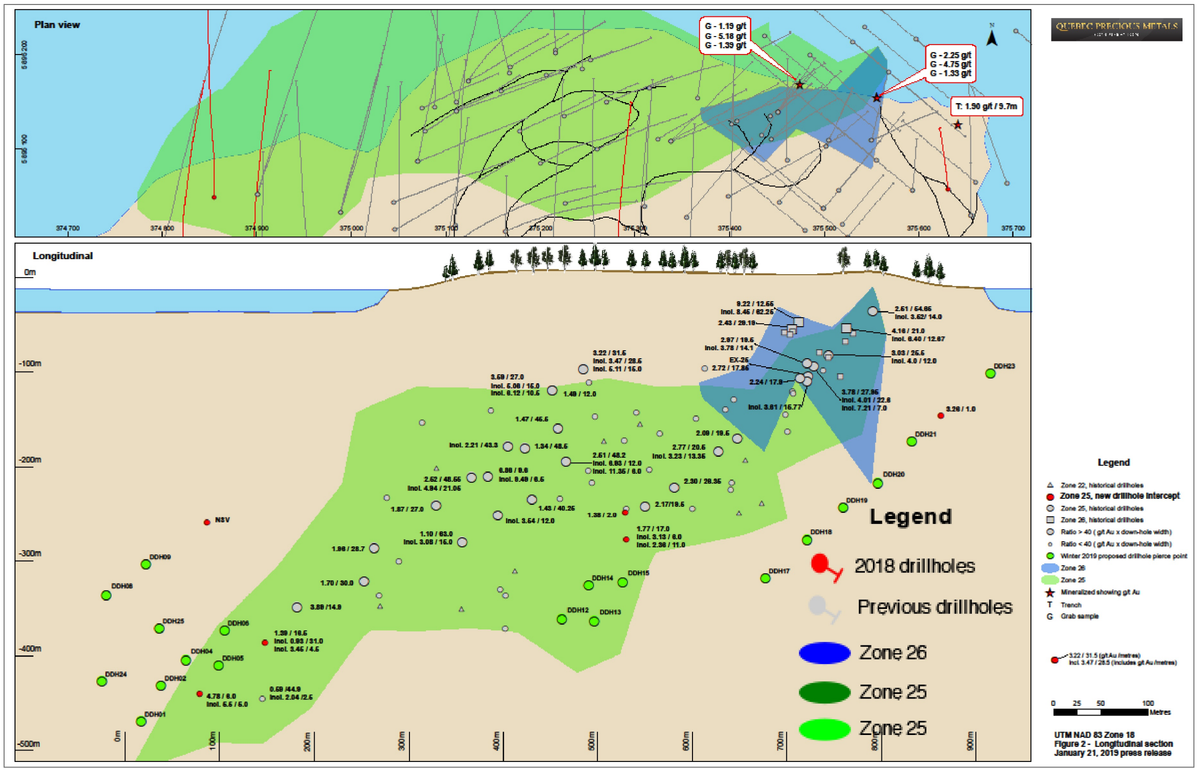
Mineralized intersections from the October-December 2018 drilling program

Hole #	From (m)	To (m)	Length (m)	Au (g/t)
PT-18-128	295.00	312.00	17.00	1.77
Including	300.00	306.00	6.00	3.13
Including	295.00	306.00	11.00	2.36
	333.00	335.00	2.00	1.38
PT-18-129	410.00	426.50	16.50	1.39
Including	410.00	441.00	31.00	0.93
Including	422.00	426.50	4.50	3.45
PT-18-130	No significant values			
PT-18-131	460.00	466.00	6.00	4.78
Including	460.00	465.00	5.00	5.50
PT-18-132	81.00	82.50	1.50	1.03
	122.00	123.00	1.00	2.41
	144.00	146.00	2.00	1.66
	155.00	156.00	1.00	3.26

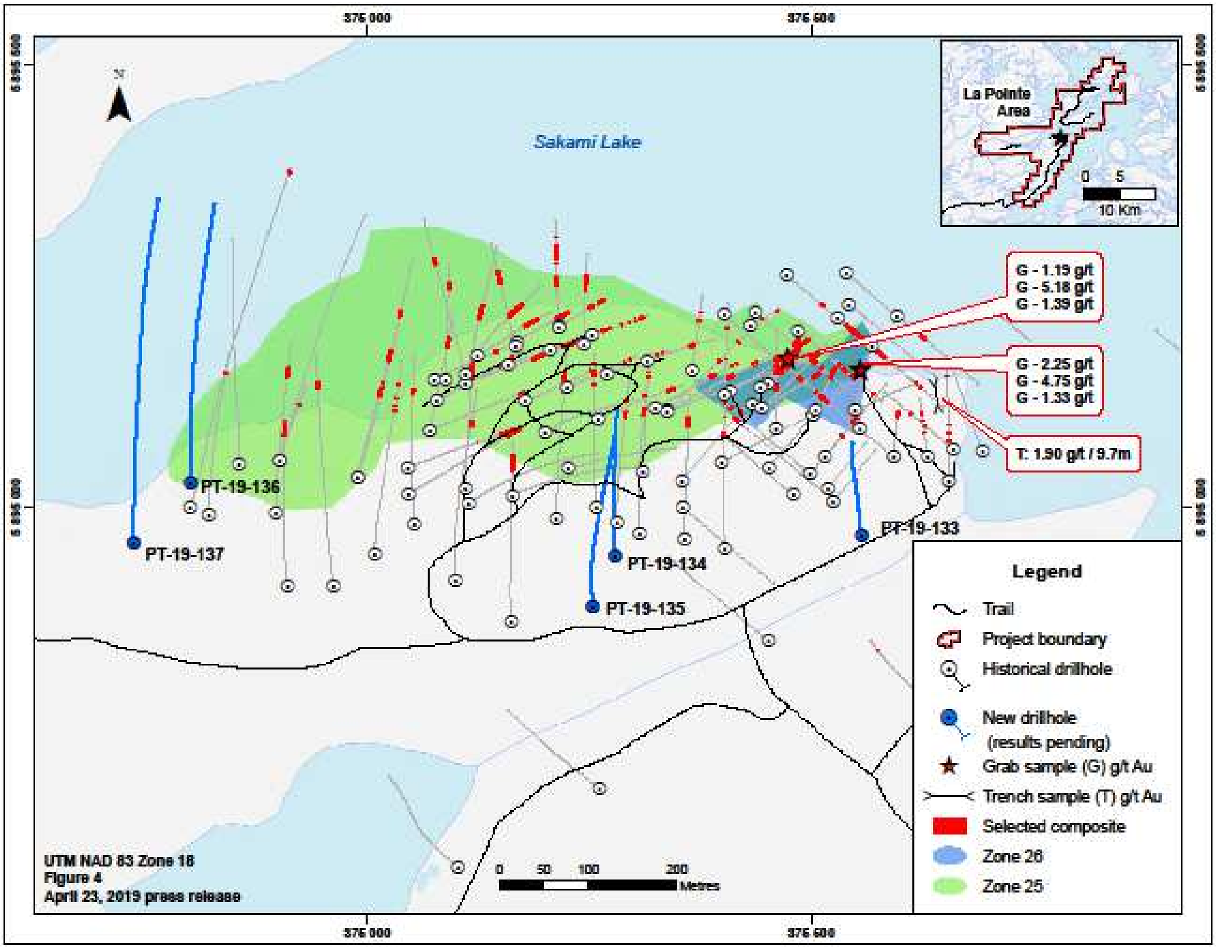
Notes:
1. Intervals are presented in core length; holes are generally planned to intersect mineralization as close to perpendicular to strike as possible; true widths are estimated to range from 75% to 90% of the down-hole length when hole inclination and dip of the mineralized horizons are considered.
2. All gold values presented are un-capped.
3. Intercepts occur within geological confines of mineralized zones but have not been correlated to individual structures/horizons within these zones yet.



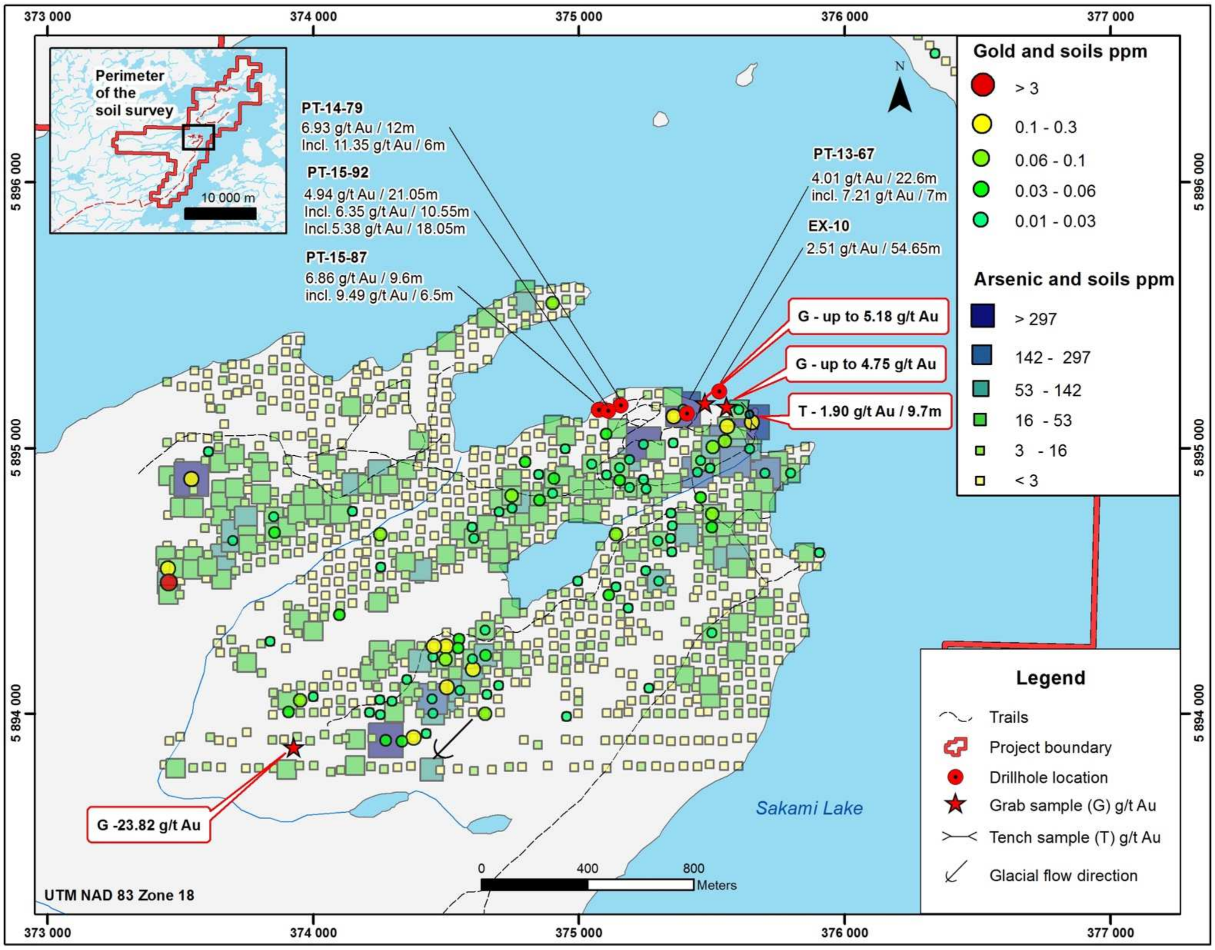
Sakami Lake
La Pointe Area
G - 1.19 g/t
G - 5.18 g/t
G - 1.39 g/t
G - 2.25 g/t
G - 4.75 g/t
G - 1.33 g/t
T: 1.90 g/t / 9.7m
PT-18-130
PT-18-131
PT-18-129
PT-18-128
PT-18-132
Legend
Trail
Project boundary
Mineralized showing g/t Au
T Trench
G Grab sample
Selected composite
Zone 26
Zone 25
UTM NAD 83 Zone 18
Figure 1 - Plan view
January 21, 2019 press release
0 50 100 200
Metres



A program of 2,499 m of drilling in five holes was carried out in the winter of 2019. The hole locations are shown in figure 4 below. This diamond drilling program was designed to test the down-dip extension at depth of the high-grade zones, defined as >40 gram-metres x drilled intersection (Au g/t x intersected length) and the existence of subparallel zones at shallower depths. Results are pending.



On December 5, 2018, the Company announced very encouraging results from a soil sampling program carried out in the fall. The survey covered an area west of the La Pointe deposit. The results obtained confirm the extension of the Sakami prospective corridor over a distance of approximately 2 km (see figure below).



Large, strong, coincidental gold and arsenic anomalies with values significantly above geochemical background valuesnwere identified in the soils (horizon B) on the project. The anomalies remain open to the southwest, particularly to the west-southwest. In most cases, the mineralization identified to date by prospecting, trenching and drilling shows a spatial correlation with the soil anomalies, as documented for the Eleonore gold deposit (mined by Newmont).

The soil anomalies suggest the presence of three source sectors that may represent a major mineralized system in the bedrock. These areas, which have not yet been tested by drilling, stand out as being part of the wide Sakami prospective corridor with near-surface discovery potential.

Simon-JR sector

On March 26 and April 23, 2019, the Company announced the results of 11 reconnaissance drill holes drilled in the Simon-JR sector, located 3 to 8 km northeast of the La Pointe sector. As figures 1 and 2 show, 11 diamond drill holes were drilled in the Simon-JR sector. Ten of the 11 holes intersected gold mineralization. Best results are as follows:

Simon showing
- SI19-02 - 14.20 g/t Au over 2.0 m in a 15.25 m intersection grading 2.34 g/t Au;
- SI19-03 - 5.05 g/t Au over 5.06 m; and
- SI19-04 - 4.66 g/t Au over 3.5 m.

JR showing
- JR-19-04 - 1.27 g/t Au over 15.0 m.

Mineralization includes pyrite, pyrrhotite and disseminated to semi-massive arsenopyrite hosted in a volcano-sedimentary sequence of the Yasinski Group (La Grande Subprovince) in contact with the sedimentary rocks of the Laguiche Group (Opinaca Subprovince) to the east. Similar mineralization was intersected in all the holes.

APPLE – GOLD PROJECT

Project Description

The Apple project currently consists of 46 claims (23.77 km^2) located 75 km northwest of the Éléonore mine operated by Newmont. It is wholly owned by the Company. On August 16, 2016, 81 claims of the Apple project were transferred to the area of interest of the Sakami project. In winter, the project is accessible by a 400-km winter road from km 510 on the paved James Bay road. In summer, the project can be accessed by boat from the Trans-Taïga road.

The project covers a portion of the Apple geological formation, which came to light in the early 1970s with the discovery of several extensive uranium-bearing pyrite matrix in quartz pebble conglomerate zones.

The Apple uranium deposit was in fact discovered in 1971 during an airborne survey. The International Nickel Company of Canada Limited ("INCO") and James Bay Development Corporation subsequently conducted an extensive joint exploration program from 1972 to 1975, with INCO as the operator. A total of 65 holes were drilled for a total of 14,000 metres, and the uranium-bearing conglomerates were traced over a distance of eight kilometres along an east-west trend.

In 1974, INCO performed a resource estimate on a one-kilometre section covering seven sub-vertically dipping zones. The historical estimate yielded 9.4 M tonnes grading 0.054% U_3O_8 or 1.08 lb/ton for a total of 10.1 million pounds (GM 57894). This resource includes 4.3 million tons categorized as proven and probable and 5.0 million tons categorized as possible (a qualified person has not done sufficient work to classify the historical estimate as current mineral resources, the issuer is not treating the historical estimate as current mineral resources). The report by Robertson et al. (1986) establishes a resource of 8.5 M tonnes grading 0.052% U_3O_8 (8.8 million pounds of U_3O_8) contained in a nine-metre by one-kilometre wide envelope extending to a depth of 300 metres, and remaining open at depth (a qualified person has not done sufficient work to classify the historical estimate as current mineral resources, the issuer is not treating the historical estimate as current mineral resources). A correlation was established between the highest uranium grades and the pyrite content. INCO dropped the project in 1975, and it has not been explored for uranium since.

Virginia Gold Mines ("Virginia", now Osisko Gold Royalties Ltd.) explored the project between 1998 and 2001 to assess its gold potential. Significant showings were discovered but no drilling was done. The showings included the Buck showing discovered in an iron formation in 1998, which returned 20.15 g/t Au and 2.59 g/t Au over 3.5 m from channel sampling. Another showing discovered at the contact of volcanic rocks and a pegmatite in the summer of 2000 returned 23.82 g/t Au and 4.73 g/t Au in grab samples. Several ultramafic horizons with anomalous PGE (platinum and palladium) values were also identified by the work done in 2000. The best results were 0.491 g/t Pt and 0.2347 g/t Pd.

The presence of albitized pegmatite with a quartzose core is also notable, with a halo of intense, pervasive tourmalinization, prismatic beryl crystals and proximity to ultramafic rocks with chromite mineralization (chromiferous actinolite is present in the skarned ultramafic rocks), which constitute the elements required to form emeralds.

In December 2013, the Company acquired 100% of Strateco's Apple project in exchange for a cash payment of $10,000 and the issuance of 4,000,000 common shares of the Company. The agreement was also subject to a 2% NSR payable to Virginia, half of which can be bought back for $1,000,000.

Work done during the year

No exploration work was carried out on the project during the year.

CHEECHOO-ÉLÉONORE TREND – GOLD PROJECT

Project Description

The Cheechoo-Éléonore Trend project is wholly-owned by the Company and consists of 551 claims (285.70 km^2). The project is located in the extension of the axis connecting the gold discoveries on the Sakami and Apple projects, Newmont's Éléonore gold mine and the Chechoo gold discovery belonging to Sirios Resources Inc. ("Sirios"). The northwestern part of the project is adjacent to the Sakami and Apple projects, approximately 24 km northwest of the Éléonore mine, with a road accessible 14 km away. Given the same high level of metamorphism and similar auro-arsenic parageneses, the Company considers the project's geological setting to be comparable to that of the Sakami and Cheechoo discoveries and the Éléonore mine.

On April 25, 2018, the Company entered into an asset purchase agreement to acquire 100% of the Cheechoo-Éléonore Trend gold project owned 50%-50% by Sphinx Resources Ltd. ("Sphinx") and Sirios. The project was acquired on June 27, 2018, through the issuance of 600,000 common shares (post-consolidation). The next work program is currently in the planning stage as part of the overall work to be conducted on the Sakami and Apple projects.

Work done during the year

No exploration work was carried out on the project during the year.

OPINACA GOLD WEST – GOLD PROJECT

Project Description

The Opinaca Gold West project (including the former Opinaca Lithium project) consists of 208 claims (109.07 km^2) some 40 km west of the Éléonore mine. The project is wholly-owned by the Company. It is located 40 to 80 km west of the Éléonore mine. The western portion of the project is accessible from km 434 of the paved James Bay Road. The claims extend over a distance of approximately 40 km and cover prospective sequences of volcano-sedimentary rocks striking generally east-west. Gold and arsenic geochemical anomalies have been identified on the project.

The project was acquired on June 27, 2018, pursuant to the business combination with Matamec by way of the plan of arrangement approved by an order of Superior Court of Québec.

The Company plans to either sell its interest in the project or identify a partner to pursue exploration work on the project.

Work done during the year

Exploration and evaluation expenses of $357 were incurred on the projects during the year ended January 31, 2019.

ANNABELLE – GOLD PROJECT

Project Description

The Annabelle project consists of 353 claims (186,08 km^2), 100% owned by the Company and located approximately 40 km west of the Éléonore mine. The project covers sequences of volcano-sedimentary rocks and intrusions of the Opinaca Subprovince,

The project was acquired by map designation following a compilation of all the information available from the Ministry of Energy and Natural Resources ("MENR"). A work program will be prepared in the near future.

Work done during the year

No exploration work was carried out on the project during the year.

BLANCHE AND CHARLES – GOLD PROJECTS

Project description

The Blanche project is wholly owned by the Company and consists of 256 claims (130.92 km^2). The project lies approximately 40 km west of the Eleonore mine. It is accessible east on the Trans-Taïga Road (230 km). The Charles project, also wholly owned by the Company, consists of 61 claims (31.15 km^2). It is located approximately 15 km east of the Blanche project along the Trans-Taiga Road. The projects overlie volcano-sedimentary rocks in the La Grande Subprovince.

In a press release dated April 30, 2019, the Company highlighted the strong copper-gold potential of these projects. Both projects are adjacent to the Mythril high-grade copper-gold-molybdenum-silver discovery of Midland Exploration Inc. ("Midland"). The samples on the Mythril discovery are selected samples and the grades obtained are not necessarily representative of the mineralization hosted on the project. BHP Billiton Canada Inc. recently invested $5.9 million in Midland to finance drilling on the Mythril discovery.

On the Blanche project, the Company carried out prospecting and grab sampling in 2017. A total of 221 samples were collected systematically along lines spaced 400 m apart. The highest sample values were 0.31%, 0.29%, 0.10% and 0.10% for copper and 0.20 g/t, 0.19 g/t and 0.13 g/t for gold. The averages are 0.02% for copper and 0.01 g/t for gold. The samples are selected samples, and the grades obtained are not necessarily representative of the mineralization hosted on the project.

The Charles project has a similar geological setting. It consists of a NE-striking horizon of amphibolitized basalt interbedded with banded iron formations and biotite-garnet paragneiss bands. Ultramafic rocks have been observed. Linear magnetic highs have been identified in the SE portion of the project and show a spatial correlation with the iron formations.

The projects were acquired by map designation following a compilation of all the information available from the MENR. Field reconnaissance work will be carried out during the upcoming summer field season to further validate the copper-gold potential of both projects. The Company plans to either sell its interest in the project or identify a partner to pursue exploration work on the projects.

Work done during the year

No exploration work was carried out on the project during the year.

NEW GOLD – GOLD PROJECT

Project Description

The New Gold project consists of 49 mineral claims (25.90 km^2), 100% owned by the Company. It is located about 5 km northwest of the 167-Extension project, where Visible Gold Mines Inc. in 2014 discovered several erratic boulders containing gold, silver, copper and zinc mineralization.

The project was acquired by map designation following a compilation of all the information available from the MENR and an assessment of the erratic boulder dispersal train aimed at identifying the potential in-situ source of the boulders identified by Visible Gold Mines Inc. The project covers a strong SW-NE magnetic anomaly crossed by a NW-SE major structure. The junction of these two structures is located right in the middle of the project. A work program will be prepared in the near future.

Work done during the year

No exploration work was carried out on the project during the year.

CHEMIN TROÏLUS – GOLD PROJECT

Project Description

The Chemin Troïlus project is wholly owned by the Company and consists of 61 mineral claims (33.15 km^2). The project is located 25 km southwest of the former Troïlus gold and copper mine and approximately 110 km north-northwest of Chibougamau with good road access. The project is located at the southwestern end of a northeastern-trending gold-copper corridor at the northern edge of the Frotet-Troïlus greenstone belt. This corridor includes the Troïlus mine, which was operated by Inmet Mining Corporation from 1997 to 2010 and produced over 2 million ounces of gold and 70,000 tonnes of copper. Prospecting work identified mineralized boulders in a northeast-striking 220 m by 45 m area within the corridor. The mineralized boulders, however, have not been explained by the preliminary drilling program and their source in the bedrock remains a priority for future exploration. In combination with the drilling, the result of till sampling programs confirm the sector's prospectivity. Further work will be needed to identify the source of the blocks.

On April 25, 2018, the Company entered into an asset purchase agreement to acquire 100% of the project owned by Sphinx. The project was acquired on June 27, 2018, through the issuance of 369,000 common shares (post-consolidation). The Company plans to sell the project or identify a partner to continue exploring the project.

Work done during the year

No exploration work was carried out on the project during the year.

OTHER PROJECTS

LAC-DES-ÎLES WEST – GRAPHITE PROJECT

Project Description

The Lac-des-Îles West project consists of one large contiguous block of 74 mineral claims (40.13 km^2) that borders on the western edge of the Timcal Lac-des-Îles graphite mine, close to the town of Mont-Laurier, 183 km northwest of Montréal in southern Québec.

On May 13, 2016, the Company and Lomiko agreed on the terms of an additional option agreement on the La Loutre and Lac-des-Îles West projects allowing Lomiko to acquire up to a 100% interest in the Lomiko projects. Lomiko will also have to pay to the Company an amount of $1,125,000, issue to the Company an 950,000 common shares of Lomiko (450,000 common shares received) for a period commencing on the deemed exercise date of the additional option signed on February 6, 2015 and ending on December 31, 2019.

At January 31, 2019, the Company owned a 20% interest in the project.

Work done during the year

No exploration work was carried out on the project during the year.

LA LOUTRE – GRAPHITE PROJECT

Project description

The La Loutre project consists of one large contiguous block of 48 mineral claims (28.67 km^2) located approximately 53 km east of the Lac-des-Îles graphite mine (operated by Imerys), 120 km north of Montreal.

On May 13, 2016, the Company and Lomiko agreed on the terms of an additional option agreement on the La Loutre and Lac-des-Îles West projects allowing Lomiko to acquire up to a 100% interest in the Lomiko projects. Lomiko will also have to pay to the Company an amount of $1,125,000, issue to the Company an 950,000 common shares of Lomiko (for the two projects) for a period commencing on the deemed exercise date of the additional option signed on February 6, 2015 and ending on December 31, 2019.

Grab samples taken on the project returned up to 22.04% carbon flake graphite, and carbon purity test results returned up to 100.00% carbon purity in the large and extra-large flake graphite. The results of grab sampling and mapping on the project has confirmed a graphite-bearing structure covering an area of approximately 7 km by 1 km in multiple parallel zones 30 metres to 50 metres wide. Another area has also been identified covering an area of approximately 2 km by 1 km in multiple parallel zones of 20 metres to 50 metres wide, which includes results of up to 18% graphite. Grab samples are selective by nature and are unlikely to represent the average grade of a deposit.

On March 24, 2016, the Company filed an independent technical technical report entitled "Technical Report and Mineral Resource Estimate for the Loutre Property" on Sedar (www.sedar.com). The report, dated March 24, 2016, was prepared by B. Turcotte and G. Servelle d'InnovExplo Inc. of Val-d'Or, Quebec, and O. Peters of AGP Mining. Inc. in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects. The mineral resource as estimated by InnovExplo Inc. is shown in the table below.

Indicated Resource				
Zone	**Cut-off Cg (%)**	**Tonnage (metric tonne)**	**Grade Cg (%)**	**Graphite (metric tonne)**
All Zones	> 3.0	4,137,300	6.50	268,800
	> 2.5	6,927,500	4.95	342,900
	> 2.0	15,181,200	3.49	529,200
	> 1.5	**18,438,700**	**3.19**	**588,400**
	> 1.0	19,005,400	3.13	595,700
	> 0.8	19,137,500	3.12	596,900
	> 0.6	19,279,600	3.09	595,300
	> 0.5	19,381,900	3.09	598,400

Inferred Resource				
Zone	**Cut-off Cg (%)**	**Tonnage (metric tonne)**	**Grade Cg (%)**	**Graphite (metric tonne)**
All Zones	> 3.0	6,181,000	6.11	377,600
	> 2.5	9,699,200	4.86	471,800
	> 2.0	15,332,000	3.92	600,300
	> 1.5	**16,675,100**	**3.75**	**624,900**
	> 1.0	16,927,300	3.71	628,000
	> 0.8	17,120,500	3.68	629,700
	> 0.6	17,306,700	3.63	628,100
	> 0.5	17,400,900	3.63	631,600

A 1,550 m drilling program carried out on the Refractory zone in 2017 intercepted multiple zones with graphite mineralization. On April 24 and May 6, 2019, the Company and its partner Lomiko announced the results of five diamond exploration drill holes from a drilling program on the Refractory Zone consisting of 21 holes for a total of 2,985 metres. The results of the remaining 16 holes will be reported as they are received and compiled. The results obtained to date are very encouraging.

At January 31, 2019, the Company owned a 20% interest in the project.

Work done during the year

Exploration and evaluation expenses on La Loutre project totalled $12,690, of which $21,150 was incurred by Lomiko following the signature of the option agreements.

SOMANIKE – NICKEL AND GOLD PROJECT

Project Description

The Somanike project consists of 109 mineral claims (50.82 km^2) and is wholly owned by the Company. It lies approximately 25 km northwest of the town of Malartic, in the Abitibi region. The project was named as part of the signing of a cooperation agreement with the Abitibiwinni First Nation, based in Pikogan, Quebec. It is more than 14 km long and consists of Archean volcanic rocks (the Malartic and Louvicourt groups) and sedimentary rocks of the Kewagama Group. Sphinx has been conducting exploration work to develop the project's nickel and gold potential since 2014. The project area includes the former Marbridge underground nickel-copper mine, which produced 774,227 tonnes grading 2.28% nickel and 0.1% copper between 1962 and 1968, with four deposits discovered by surface prospecting and drilling between 1957 and 1966. Marbridge is the only nickel mine in the Abitibi region to date and is the first nickel sulphide deposit in Quebec associated with komatiitic volcanic rocks.

On April 25, 2018, the Company signed an asset purchase agreement to acquire 100% of the project owned by Sphinx. The project was acquired on June 27, 2018, through the issuance of 531,000 common shares (post-consolidation).

Work done during the year

On August 20, 2018, the Company entered into an agreement with Vanicom Resources Limited ("Vanicom") on the Somakine project. The agreement provides that Vanicom may acquire 100% interest in the project in consideration of a total of $25,000 in cash payments at the signature of the Agreement (payment paid). Vanicom had also to $125,000 in common shares of Vanicom, paid $100,000 in cash and engage $600,000 in exploration expenditures no later than June 15, 2021.

KIPAWA-ZEUS PROJECT - RARE EARTHS PROJECT

Project description

The Company has a 68% interest in the Kipawa project, through the Kipawa Rare Earth Joint Venture ("SCCK"). Quebec Resources Inc. holds the remaining 32% interest. The project is part of the 73 claims (43.03 km^2) of the Kipawa-Zeus project. Claims that are not part of the Kipawa project are wholly owned by the Company. The project is located in the Témiscamingue region of Quebec, 140 km south of Rouyn-Noranda and 90 km northeast of North Bay, Ontario.

The project is located in the Grenville geological province, about 55 km south of the contact with the Superior geological Province. The lithologies consist mainly of gneiss with a degree of metamorphism ranging from the green shale facies to the amphibolite-granulite facies. Twelve heavy rare earth showings have been identified, some of which contain niobium and tantalum. The Kipawa deposit is defined by three enriched horizons within the syenite of the Kipawa alkaline complex. This syenite contains light rare earth oxides but mainly heavy rare earth oxides. Drilling since 2011, totalling 293 holes (24,571 m), has been used as the basis for a feasibility study (prepared by Roche Ltd. and GENIVAR Inc., with the support of SGS Geostat and Golder Associates Ltd.) The study showed a 15-

year production schedule, excluding a two-year pre-production period to strip the overburden to allow open-pit mining and the construction of a processing plant and associated infrastructure. The mine life could potentially be increased by the discovery of additional resources.

On September 18, 2014, Matamec and Toyotsu Rare Earth Canada Inc. ("TRECan") signed a termination agreement for the Kipawa project. Following the signature of the agreement, Matamec paid TRECan $280,000 and TRECan converted its undivided 49% interest in the project to a 10% net profits interest.

On September 24, 2017, SCCK decided to stop the development activities at the Kipawa project and subsequently its research activities with various academic partners and government agencies. The project was acquired on June 27, 2018, following the business combination by way of arrangement and approved an order of the Superior Court of Canada with Matamec. The Company intends to interest one or more third parties in joining the project.

Work done during the year

Exploration and evaluation expenses of $357 were incurred on the project during the year ended January 31, 2019.

TANSIM – LITHIUM PROJECT

Project Description

The Tansim project consists of 65 claims (37.66 km^2) in the Témiscamingue RCM. The Company owns a 50% interest in the project. The Tansim project is part of the Pontiac geological Subprovince, located south of the Abitibi Subprovince, part of the Archean Superior province. The lithologies consist of a group of Late Archean metasedimentary-metavolcanic-granitoid-gneissic rocks.

On January 22, 2018, Matamec announced that it had granted an option on 65 claims to Sayona Québec Inc. (“Sayona”), a wholly owned subsidiary of Australia-based Sayona Mining Corp. (“Sayona Mining”).

This option is for a period of two years from the signature date of the agreement, January 18, 2018. In the first year, Sayona may acquire 50% of the 65 claims by paying a total of $103,587 for the claim renewal fees, or $63,587 (amount paid) by carrying out exploration work before January 31, 2018 on 50 claims and paying the renewal fees for the remaining claims. In addition, Sayona was required to spend $200,000 on exploration work and pay the Company $100,000 (amount paid). The agreement was amended by the parties on November 13, 2018, to extend the deadline to complete the work and make the $100,000 (amount paid) payment from January 31, 2019, to April 19, 2019.

If Sayona wishes to earn an additional 50% interest to hole 100% of the project, it must spend $350,000 on exploration work and pay the Company $250,000 in the second year. The Company will also receive a 2% NSR on the production of minerals mined on the project.

The project was acquired on June 27, 2018, as part of the business combination with Matamec by way of the plan of arrangement approved by an order of Superior Court of Québec.

Sayona announced in August 2018, that current exploration program at Tansim is aimed at defining drilling targets at the Viau-Dallaire and Viau prospects. Viau-Dallaire is a pegmatite dyke measuring 300 m long and between 12 and 20 m thick. At the second prospect, Viau, pegmatites have been mapped over an area up to 200 m long and 30 m wide. A recent airborne geophysics survey has confirmed a strong east-west magnetic anomaly that corresponds with historical surface mapping of pegmatites over an area measuring 9 km long and up to 700 m wide. In addition, the host intermediate/mafic magnetic rocks confirmed by the survey are intruded by sub-parallel lithium, beryllium and tantalum-bearing, granitic pegmatite dykes.

On April 9, 2019, Sayona Mining announced the results of an intial drilling program on the project. Highlights were as follows:

- Two east-west striking subparallel pegmatite dykes with coarse-grained spodumene mineralization were intersected over a length of 350 metres;
- Drill results show mineralization in both dykes, including 12.35 m @ 1.29% Li_2O near surface in the first subsurface dyke, and 43.7 m @ 0.82% Li_2O, including 16.1 m @ 1.26% Li_2O, in the second, deeper dyke; and
- The drilling program demonstrates that the pegmatite system is open in all directions, with potential for the discovery of other subparallel pegmatite dykes.

Sayona plans to pursue project development by carrying out additional work in 2019, including drilling.

Work done during the year

Exploration and evaluation expenses totalling $23,669 were acquired pursuant to the Matamec acquisition on June 27, 2018.

VALMONT – COPPER-LEAD-ZINC-SILVER AND GOLD PROJECT

Project description

The Valmont project consists of 11 claims (6.21 km^2) and is located in the north central part of the Gaspé Peninsula, northwest of the McGerrigle Mountains and some 21 km south of the coastal village of Marsoui. The project is part of a broad band of Ordovician sedimentary rocks some tens of kilometres long in the Appalachian geological province. On the Valmont project, the Candego deposit, which has been mined, is a quartz carbonate-lead-zinc vein-type deposit lying alongside or near a schistose zone commonly called the Candego fault.

The project was acquired on June 27, 2018, as part of the business combination with Matamec by way of the plan of arrangement approved by an order of Superior Court of Québec.

Work done during the year

No exploration work was carried out on the project during the year.

VULCAIN – COPPER-ZINC PROJECT

Project description

The Vulcain project consists of 68 claims (40.05 km^2) located in Haute-Gatineau. It is accessible by provincial paved highway 117 and by a 45 km gravel road linking the project at the Lac Arthur exit. The project is wholly-owned by the Company. A deposit located on the project beneath Renzy Lake was mined from 1969 to 1972, known as the Renzy Mine, with approximately 718,000 tonnes grading 0.7% Ni and 0.7% Cu. Quebec's Ministère de l'Énergie et des Ressources Naturelles will carry out rehabilitation work in 2019 on the area of the old mining operation. The deposit and nickel-copper showings on the project are all hosted by ultramafic sills. These sills, which vary in width from 10 to 300 m and are up to 3 km long, lie in the paragneisses of the Grenville geological province supergroup.

The project was acquired on June 27, 2018, as part of the combination with Matamec by way of the plan of arrangement approved by an order of Superior Court of Québec. The Company plans to sell its interest in the project or identify a partner to pursue exploration.

Work done during the year

No exploration work was carried out on the project during the year.

NEW PROJECT – RARE EARTHS PROJECT

Project description

The Fabre project consists of 27 claims (15.93 km^2) in southwestern Quebec and is wholly-owned by the Company. The project was staked to explore the area's rare earth potential. The project lies in the Grenville geological province.

The project was acquired on June 27, 2018, as part of the business combination with Matamec by way of the plan of arrangement approved by an order of Superior Court of Québec.

Work done during the year

No exploration work was carried out on the project during the year.

ONTARIO PROJECT

Project description

The Company holds a 50% interest in 75 mineral titles (12,0 km^2) of the Matheson-Explorers project owned by the Matheson joint venture, located in the Timmins mining camp in Ontario. International Explorers and Prospectors Inc. ("IEP") owns the other 50%. The project is subject to a 1.5% NSR payable to IEP of which 0.75% can be bought back for $ 1,500,000, a 1.5% NSR payable to Amalco of which 0.75% can be bought back for $ 750,000 and NSR of 1% to certain persons or companies on certain mineral titles, of which 0.5% can be bought back for $ 500,000.

This project is part of the stratigraphic assemblages that contain most of the gold deposits of the Timmins mining camp. A number of exploration targets have been identified by past exploration programs but have not been systematically tested by drilling.

The project was acquired on June 27, 2018, as part of the business combination with Matamec by way of the plan of arrangement approved by an order of Superior Court of Québec. The Company plans to sell its interest in the project or identify a partner to continue exploring the projects.

Work done during the year

Exploration and evaluation expenses totalled $3,360 for the year ended January 31, 2019.

Persons in Charge of Technical Disclosure

Normand Champigny, Eng., Chief Executive Officer, and Jean-Sébastien Lavallée (OGQ #773), Vice-President Exploration and shareholder of the Company, and both Qualified Persons under *NI 43-101 on standards of disclosure for mineral projects*, have prepared and approved the technical content of this MD&A for the projects.

SELECTED ANNUAL INFORMATION

The following selected financial data is derived from our consolidated audited financial statements for the year ended January 31, 2019 and 2018 and audited financial statements for the year ended January 31, 2017.

In $ 000's except for share data	Year ended January 31, 2019	Year ended January 31, 2018	Year ended January 31, 2017
Interest and Management Income	31	16	6
Net loss	(1,294)	(231)	(572)
Basic and diluted net loss per share	(0,035)	(0,012)	(0,01)
Total assets	13,921	4,719	2,646

This selected annual information should be read in conjunction with the consolidated audited financial statements filed on www.sedar.com for the year ended January 31, 2019.

RESULTS OF OPERATIONS

The Company anticipates that, for the foreseeable future, quarterly results of operations will primarily be impacted by several factors, including the timing of exploration and the efforts and timing of expenditures related to the development of the Company. Due to fluctuations in these factors, the Company believes that the period-to-period comparisons of operating results are not a good indication of its future performance.

The following comments constitute an analysis of the operating results for the year ended January 31, 2019. The selected financial information below is extracted from the audited consolidated financial statements for the year indicated.

FINANCIAL HIGHLIGHTS

	January 31 **2019**	2018
Salary, insurance, travel, penalties & General administrative expenses	**$ 363,695**	$ 98,454
Registration, listing fees and shareholders' information	**$ 286,414**	$ 135,329
Professionnal and consultant fees	**$ 607,179**	$ 93,468
Depreciation of equipment	**$ 8,342**	$ -
Share-based payments	**$ 254,475**	$ 146,754
Part XII.6 taxes	**$ 7,212**	$ -
Write-off of exploration and evaluation assets	**$ 8,605**	$ -
Change in fair value of the marketable securities	**$ 276,300**	$ 76,592
Gain on disposal of exploration and evaluation assets	**$ -**	$ (57,375)
Loss on disposal of property, plant and equipment	**$ 30,943**	$ -
	$ 1,843,165	$ 493,222
Interest and Management income	**$ 31,255**	$ 15,920
Gain on write-off of debt	**$ 199,583**	$ -
Loss before income taxes	**$ 1,612,327**	$ 477,302
Deferred income taxes	**$ (318,468)**	$ (182,032)
Total net loss for the year	**$ 1,293,859**	$ 295,270
Cash and cash equivalents	**$ 3,275,858**	$ 1,692,814

Interest and Management Income

Revenues for the year ended January 31, 2019 amounted to $31,255 ($15,920 in 2018), consisting of interest and management income. Given its status as a mining exploration company, the Company does not generate any steady income, and must finance its activities by issuing equity.

Salaries, Insurance, Travel, Penalties and General Administrative Expenses

Salary, insurance, travel, penalties and general administrative expenses for the year ended January 31, 2019, consisted mainly of general office expenditures, travel expenses, promotional activities, office expenses, insurance, interest and penalties, salaries and fringe benefits and the Company's claim renewal expenses. These expenses were $265,241 higher than in the prior period, primarily due to higher claims management fees, insurance, travel, rental and salaries and benefits, offset by lower penalties.

Registration, Listing Fees and Shareholder Information

Registration, listing fees and shareholder information expenses for the year ended January 31, 2019, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. The $151,085 increase is mainly due to higher publication costs, stock exchange fees, transfer agent fees, investor relations expenses and shareholder information expenses. Most these expenses were incurred for the annual and special meeting and to complete the plan of arrangement between the two companies.

Professional and Consultant Fees

Professional and consulting fees for the year ended January 31, 2019, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management expenses. These fees were $513,711 higher than the prior year due to an increase in professional fees, legal and accounting expenses in order to conclude the plan of arrangement

Stock-Based Compensation

Share-based payments and compensation for the year ended January 31, 2019, represent the charge related to the value of the 2,580,136 stock options granted to directors, officers and consultants including 135,136 options acquired pursuant to the Matamec acquisition. A compensation expense of $260,064 (including $5,589 related to the acquired Matamec options) was therefore granted during the period in respect of stock options granted, calculated using the Black-Scholes model

SUMMARY OF QUARTERLY RESULTS

The comments below provide an analysis of the operating results for the three-month period ended January 31, 2019. The selected financial information shown below is taken from the condensed unaudited interim financial statements for each of the three-month periods indicated.

FINANCIAL HIGHLIGHTS

	January 31 (3 months) 2019	2018
Salary, insurance, travel, penalties & General administrative expenses	**$ 149,216**	$ 18,841
Registration, listing fees and shareholders' information	**$ 11,079**	$ 31,914
Professionnal and consultant fees	**$ (12,326)**	$ 14,870
Depreciation of equipment	**$ 971**	$ -
Share-based payments	**$ 254,475**	$ -
Part XII.6 taxes	**$ 139**	$ -
Write-off of exploration and evaluation assets	**$ 19,090**	$ 10,158
Change in fair value of the marketable securities	**$ 276,300**	$ 76,592
Gain on disposal of exploration and evaluation assets	**$ -**	$ (57,375)
Loss on disposal of property, plant and equipment	**$ 100**	$ -
	$ 699,044	$ 95,000
Interest and Management income	**$ 17,459**	$ 14,286
Gain on write-off of debt	**$ 154,091**	$ -
Loss before income taxes	**$ 527,494**	$ 80,714
Deferred income taxes	**$ (20,271)**	$ 45,663
Total net loss for the year	**$ 507,223**	$ 126,377
Cash and cash equivalents	**$ 3,275,858**	$ 1,692,814

Interest and Management income

Revenues for the three-month period ended January 31, 2019, amounted to $17,459 ($14,286 in 2018) and consisted of interest income and management revenues. Given its status as a mining exploration company, the Company does not generate any steady income, and must finance its activities by issuing equity.

Salary, insurance, travel, penalties & General Administrative Expenses

Salary, insurance, travel, penalties and general administrative expenses for the three-month period ended January 31, 2019, consisted mainly of general office expenditures, travel expenses, promotional activities, office expenses, insurance, interest and penalties, salaries and fringe benefits and the Company's claim renewal expenses. The $130,375 increase over the previous period was mainly due to an increase in travel, entertainment and salaries and benefits, offset by a decrease in penalties and insurance costs and the Company's claim renewal costs.

Registration, Listing Fees and Shareholder Information

Registration, listing fees and shareholder information expenses for the three-month period ended January 31, 2019, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. The $20,835 decrease was mainly due to lower investor relations expenses.

Professional and Consultant Fees

Professional and consulting fees for the three-month period ended January 31, 2019, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management expenses. The $27,196 decrease from the previous period was due to lower legal and accounting expenses, offset by an increase in consulting fees.

The selected financial information below was taken from the Company's unaudited condensed financial statements for each of the following quarters:

$000s of $ except for share data	Jan. 31 2019	October 31 2018	July 31 2018	Apr. 30 2018	Jan. 31 2018	Oct. 31 2017	July 31 2017	Apr. 30 2017
Interest and Management income	**17**	11	3	-	14	-	-	2
Net profit (loss)	**(364)**	(337)	(570)	(22)	(62)	10	(68)	(111)
Basic and diluted net loss per share	**(0.008)**	(0.008)	(0.018)	(0.001)	(0.003)	0.000	(0.003)	(0.005)

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as at January 31, 2019, totaled $3,275,858 compared to $1,692,814 as at January 31, 2018. It is management's intention to secure further capital funding in the form of equity to support current and future exploration and evaluation assets development.

Date	Financing		Commercial Goals
June 2018	Common shares	$5,423,304	Working Capital

For the next year 2020 fiscal year, the Company has budgeted $800,000 for administrative expenses. Management is of the opinion that, even if it is unable to raise additional equity financing, the Company will be able to meet its current exploration obligations and keep its projects in good standing for the next 12 months. Advanced exploration of some of the mineral projects would require substantially more financial resources. There is no assurance that such financing will be available when required, or under terms that are favourable to Company. The Company may also select to advance the exploration and development of exploration and evaluation assets through joint ventures. Management is currently considering opportunities for further financing.

CASH FLOWS

	January 31 2019	January 31 2018
Operating activities	**$ (2,247,503)**	$ 2,644
Financing activities	**$ 5,272,161**	$ 2,447,845
Investing activities	**$ (1,441,614)**	$ (1,062,727)
	$ 1,583,044	$ 1,387,762
Cash and cash equivalents	**$ 3,275,858**	$ 1,692,814

During the year period ended January 31, 2019, funds used for operating activities were spent primarily on improving operations and promotion of the Company.

During the year period ended January 31, 2019, the main financing activity undertaken by the Company was as follows:

On June 27, 2018, the Company issued 8,890,663 common shares at a price of $0.61 per share, for gross proceeds of $5,423,304.

On November 15, 2018, the Company settled a debt of $88,450 owing to a creditor of Matamec by issuing 145,000 common shares post-consolidation.

During the year period ended January 31, 2019, investing activities consisted primarily of prospecting work for projects development, rebilling of exploration and evaluation assets, acquisition of Matamec's assets and the receipt of mining tax credits

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE-SHEET ARRANGEMENTS

ROYALTIES ON MINING PROJECTS

PROJECTS	ROYALTIES		DESCRIPTION
	Name	Percentage	
Eeyou Istchee James Bay Territory projects, Quebec			
Apple	Osisko Gold Royalties Ltd.	100%	2% NSR of which 1% may be purchased for an amount of $1,000,000
Sakami	Luc Lamarche	50%	1% NSR on some claims
	Jean-Raymond Lavallée	50%	
	Osisko Gold Royalties Ltd	100%	2% NSR on 81 claims of which 1% may be purchased for an amount of $1,000,000
Opinaca Gold West & Opinica Lithium	Tony Perron, Tony Perron & Janine Mongrain on certain claims, Tony Perron Hélène Laliberté on certain claims	100%	2% NSR of which 1% may be purchased for an amount of $500,000
Chemin Troïlus	Ressources Tectonic Inc.	100%	2% NSR of which 1.5% may be purchased for an amount of $2,000,000
Other projects, Quebec			
La Loutre	Jean-Sébastien Lavallée	33.33%	1.5% NSR on some claims, of which 0.5% may be purchased for an amount of $500,000
	Jean-Raymond Lavallée	33.33%	
	Michel Robert	33.33%	
Somanike	Osisko Gold Royalties Ltd.	100%	2% NSR on 55 claims
	Globex Mining Enterprises Inc.	100%	GMR (Gross Metal Royalty) on 7 claims of which 1% if Ni lower than $6 US, 1.5% between $6 and $8 US and 2% if higher than $8 US
	Jefmar Inc.	100%	2% NSR on 7 claims of which 1% may be purchased for an amount of $1,000,000
	RNC Minerals	100%	2% on 6 claims of which 2% may be purchased for an amount of $2,000,000
Kipawa Project	Toyotsu Rare Earth Canada Inc.	100%	10% on future royalties on net operating profit
Tansim	Ressources Minérales Mistassini Inc.	100%	1.25% NSR on 4 claims of which 0.25% may be purchased for an amount of $60,000
Valmont	André Gauthier	100%	1% NSR may be purchased for an amount of $500,000 payable over 2 years
Vulcain	André Gauthier	60%	1% NSR may be purchased for an amount of $500,000
	Jacques Duval	40%	
Ontario projects, Ontario			
Matheson Joint Venture	International Explorers and Prospectors Inc.	100%	1.5 % NSR of which 0.75% may be purchased for an amount of $1,500,000
	Amalco	100%	0.75% NSR of which 0.75% may be purchased for an amount of $750,000
	Certain individuals and companies on certain claims	100%	1% NSR of which 1% may be purchased for an amount of $500,000

RELATED-PARTY TRANSACTIONS

Transactions with Key Executives

A) During the year ended January 31, 2019, the Company incurred professional and consultant fees amounting to $25,907 ($25,826 in 2018) with its Chief Financial Officer. In relation with these transactions, no amount was payable as at January 31, 2019 ($2,296 as at January 31, 2018).

B) During the year ended January 31, 2019, the Company incurred $2,074,196 ($1,300,878 in 2018) in exploration and evaluation assets, no professional and consultant fee ($25,444 in 2018), general administrative expenses for $60,662 ($39,863 in 2018) with Consul-Teck Exploration Minière Inc., a company of which the Vice-President Exploration (former Executive Chairman) of the Company is a shareholder. An amount of $703,064 was payable to Consul-Teck Exploration Minière Inc. as at January 31, 2019 ($328,012 as at January 31, 2018).

C) During the year ended January 31, 2019, the Company incurred $125,000 in professional and consultant fees ($45,000 in 2018) with Paradox Public Relations, a company controlled by the

President (former President and Chief Executive Officer) of the Company. No amount was payable in relation to these transactions as at January 31, 2019 ($63,236 as at January 31, 2018).

D) The Vice-President Exploration of the Company owns 33.33% of the 1.5% NSR on the La Loutre project regarding the agreement signed in 2012. The Company has the option to purchase 0.5% of this NSR for $500,000.

E) On June 27, 2018, the Company acquired from Sphinx, the mining claims on three projects. Normand Champigny is the Chief Executive Officer, Michel Gauthier, François Biron and John W.W. Hick are directors, of both companies Sphinx and the Company. The Company issued to Sphinx Resourced Ltd 1,200,000 common shares post-consolidation having a value of $524,160.

	January 31, 2019	January 31, 2018
	$	$
Salaries and fringe benefits	124,951	-
Compensation and share-based payments	222,335	92,983
	347,286	92,983

SIGNIFICANT ACCOUNTING POLICIES

Overall considerations

The significant accounting policies and measurement bases that have been applied in the preparation of these financial statements are summarized below.

Basis of consolidation

The Company's consolidated financial statements include the accounts of the parent company and its subsidiary Matamec as at January 31, 2019. The parent company controls a subsidiary if it is exposed or is entitled to variable returns from its involvement with the subsidiary and whether it has the ability to affect those returns through it hold over the subsidiary. The Company's subsidiary is wholly owned by the parent company. Matamec has a reporting date of January 31.

All transactions and balances between group companies are eliminated upon consolidation, including unrealized gains and unrealized losses on transactions between group companies. Amounts reported in the financial statements of the subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the parent company.

Jointly controlled asset

Since January 27, 2015, Matamec and Ressources Québec Inc. ("RQ") control jointly the Kipawa Project, pursuant to a joint operation agreement. Matamec hold an interest of 68%. Information on this asset is presented in Note 9 (Kipawa Project). Jointly controlled assets supposes joint control, without creating a corporation, partnership or other entity. When the Company's activities are conducted through jointly controlled assets, the Company recognizes its share of jointly controlled assets, any liabilities that it has incurred, and its share of any liabilities incurred jointly with the other venturers. The agreement between RQ and the Company, in accordance with the practices most commonly used in the industry, has been accounted for as a farm-out agreement without consideration for the legal form of the agreement. A farm-out arrangement typically involves an entity (i.e., the farmor) agreeing to provide a working interest in a mining project (i.e., the farmee), provided that the farmee makes a cash payment to the farmor and/or incurs certain expenditures on the project to earn that interest.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price of the asset. Subsequent costs are included in the book value of the asset or recorded separately, when required, when it is probable that future economic benefits associated with the asset will flow to the Company and when the cost can be measured reliably. The carrying value of an asset replaced has to be derecognized on replacement.

Repairs and maintenance costs are charged to the statements of operations during the period in which they are incurred. Amortization of property, plant and equipment is calculated to distribute property, plant and equipment cost, less their residual value, over their useful life, according to the following declining balance method and period, by major categories:

Building	4%
Leasehold improvements	2 years
Computer equipment	30%
Furniture and office equipment	20%
Exploration equipment and facilities	30%

Amortization of property, plant and equipment related to exploration and evaluation activities is expensed or capitalized in deferred exploration and evaluation expenditures, according to the capitalization policy. Amortization of property, plant and equipment related to mining development costs is capitalized to deferred exploration and evaluation expenditures. For those assets which are not related to exploration and evaluation activities, depreciation expense is recognized in profit or loss.

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are in the profit or loss.

Exploration and evaluation expenditures, and exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of the initial search of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights or options to acquire such rights (option agreement), expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a project-by-project basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining project is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit and loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining project are transferred to project and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit and loss before reclassification.

To date, neither the technical feasibility nor the commercial viability of extracting a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Project titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Disposal of interest in connection with option agreement

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the project by the acquirer. In addition, the cash or the shares consideration received directly from the acquirer is credited against the carrying amount of costs previously capitalized to the project, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

Share-based payments

The Company has a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the Black-Scholes Options Pricing Model. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is credited to contributed surplus.

Share-based payments (except brokers and intermediaries' options) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. Share-based payments to brokers and intermediaries, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-Market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if the number of share options ultimately exercised is different from that estimated on vesting.

Impairment of exploration and evaluation assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- The right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- No further exploration or evaluation expenditures in the area are planned or budgeted;
- No commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- Sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining project are tested for impairment before these items are transferred to project and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment loss is reversed when the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Share capital

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus for the options and warrants for the warrants.

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as placement units. The proceeds from the issue of units is allocated between common shares and share purchase warrants on a residual value basis, wherein the fair value of the common shares is based on the market value on the date of announcement of the placement and the balance, if any, is allocated to the attached warrants.

In addition, if the shares are issued in an acquisition of a mining project, shares are measured at fair value based on stock price on the day of the conclusion of the agreement.

Flow-through shares

Issuance of flow-through shares represents an issue of ordinary shares and the sale of the right to tax deductions to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented in other liability in the statement of financial position. The proceeds received from flow-through shares are allocated between share and, if any, the other liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and the residual proceeds is allocated to the other liability.

The other liability recorded is reversed on renouncement of the right to tax deductions to the investors or when the Company has the intention to renounce of tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income taxes expense.

Other elements of equity

Contributed surplus includes charges related to brokers and intermediaries' options and share purchase options. When options are exercised, the related compensation cost is transferred to share capital.

Warrants include charges relating to warrants. When these warrants are exercised, the relating charges are transferred to share capital. When these warrants are expired, the relating charges are transferred to contributed surplus.

Deficit includes all current and prior year retained profits or losses.

Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted loss per share is computed using the treasury stock method. In accordance with the treasury stock method, the weighted average number of common shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting years.

Tax credits receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration expenses incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and liabilities are initially measured at fair value adjusted for transaction costs, if applicable.

Financial assets are derecognized when the contractual rights to cash flows from a financial asset expire, or when a financial asset and substantially all risks and rewards are transferred. A financial liability is derecognized in the event of termination, extinction, cancellation or expiration.

The classification of financial instruments under IFRS 9 is based on the entity's business model and the characteristics of the contractual cash flows of the financial asset or liability.

Classification and initial valuation of financial assets

Financial assets are classified into one of the following categories:

- Amortized cost;
- Fair value through profit or loss ("FVTPL");

All income and expenses relating to financial assets recognized in profit or loss are presented in finance costs or Interests income.

Subsequent valuation of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if they meet the following conditions:

- They are held according to an economic model whose objective is to hold financial assets in order to collect the contractual cash flows;
- The contractual terms of the financial assets give rise to cash flows that correspond solely to repayments of principal and interest payments on the principal outstanding.

After initial recognition, they are measured at amortized cost using the effective interest rate method. The update is omitted if its effect is not significant. Cash and cash equivalents and interests receivable fall into this category of financial instruments.

Financial assets that are held in a different economic model than "holding for the purpose of collection" or "holding for the purpose of collection and sale" are classified in the FVTPL category.

Assets in this category are measured at fair value and gains or losses are recognized in net income. The fair value of financial assets in this category is determined based on transactions in an active market or by applying a valuation technique when there is no active market.

The marketable securities fall into this category of financial assets.

Impairment of financial assets

The impairment provisions in IFRS 9 use more forward-looking information, the expected credit loss model, which replaces the IAS 39 loss model.

The recognition of credit losses is no longer dependent on the identification of a credit loss event by the Company. Rather, it must take into account an expanded range of information for assessing credit risk and assessing expected credit losses, including past events, current circumstances, reasonable and justifiable forecasts that affect expected recoverability of future cash flows of the financial instrument.

The estimate of expected credit losses is determined at each reporting date to reflect changes in credit risk since the initial recognition of the related financial as set.

Classification and measurement of financial liabilities

The Company's financial liabilities include trade accounts payable and accrued liabilities (excluding salaries and fringe benefits).

Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

Interest expense and, as the case may be, changes in the fair value of an instrument recognized in profit or loss are presented in financial expenses or interests income.

Income taxes

Income tax expense represents current tax and deferred tax. The Company records current tax based on the taxable profits for the year, which is calculated using tax rates that have been enacted or substantively enacted at the date of the consolidated statement of financial position. However, since the Company is in exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are accounted for using the liability method that requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference based on currently enacted or substantially enacted tax rates that are expected to be in effect when the underlying items of income or expense are expected to be realized. The effect of a change in tax rates or tax legislation is recognized in the year of substantive enactment. Deferred tax assets, such as non-capital loss carry-forwards or deductible temporary difference, are recognized to the extent it is probable that taxable profit will be available against which the asset can be utilized. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention of set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they are related to items that are recognized in other comprehensive loss or directly in equity, in which case the related deferred tax is also recognized in other comprehensive loss or equity, respectively.

Functional and presentation currency

The functional and reporting currency of the Company is the Canadian dollar.

Critical accounting estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting year. Significant areas requiring the use of management estimates relate to determining the recoverability of exploration and evaluation assets, the determination of the recoverability of amounts receivable and tax credit, the variables used in the determination of the fair value of share purchase options granted and warrants issued, the determination of the recoverability of deferred tax assets and the Company's ability to continue as a going concern. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

Provisions and contingent liabilities

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Segmented information

The Company's operations consist of a single operating segment being the sector of exploration and evaluation of mineral resources and all operations are located in Canada.

CERTIFICATION OF ANNUAL FILINGS

The Chief Executive Officer and the Chief Financial Officer have signed the Basic Certifications of Annual Filings as required by National Instrument 52-109 for the venture issuer, thus confirming, the review, the absence of misrepresentations and the fair presentation of the annual filings.

- The Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the annual financial statements and the annual MD&A (together, the "annual filings") of the Company for the exercise ended January 31, 2019.

- Based on their knowledge, having exercised reasonable diligence, the Chief Executive Officer and the Chief Financial Officer confirm that the annual filings do not contain any untrue statement of a 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, for the period covered by the annual filings.

Based on their knowledge, having exercised reasonable diligence, the Chief Executive Officer and the Chief Financial Officer confirm that the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the period presented in the annual filings.

OTHER REQUIREMENTS IN THE MANAGEMENT DISCUSSION AND ANALYSIS

The following selected financial information data is derived from the consolidated audited financial statements at the periods indicated.

EXPLORATION AND EVALUATION ASSETS

	January 31 2019	January 31 2018
Balance, beginning of year	$ 2 884 045	$ 1 828 853
Add:		
Acquisition of exploration and evaluation assets	750 748	223 520
Assets for exploration and evaluation of the subsidiary	4 127 030	-
Drilling	2 363 085	755 976
Geology and geophysics	8 850	416 965
Geochemistry	47 959	-
Other exploration and evaluation expenses	46 208	24 418
	7 343 880	1 420 879
Balance, before deduction	10 227 925	3 249 732
Tax credit and mining duties	364 324	(8 098)
Rebilling	21 150	316 410
Disposal	25 000	57 375
Write-off of exploration and evaluation assets	8 605	-
	419 079	365 687
Balance, end of year	$ 9 808 846	$ 2 884 045

MATERIAL COMPONENTS

	2019	January 2018	2017
Statements of Comprehensive Income			
Professional and consultant fees	$ 607,179	$ 93,468	$ 229,350
Registration, listing fees and shareholders' information	$ 286,414	$ 135,329	$ 144,151
Change in fair value of marketable securities and warrants	$ 276,300	$ 76,592	$ 5,623
Stock-based payments	$ 254,475	$ 146,754	$ 129,401
Interest and Management income	$ 31,255	$ 15,920	$ 6,558

	2019	January 31 2018	2017
Statements of Financial Position			
Cash and cash equivalents	$ 3,275,858	$ 1,692,814	$ 305,052
Exploration and evaluation assets	$ 9,808,946	$ 2,884,045	$ 1,828,853

The following selected financial information is derived from the Company's unaudited financial statements.

DISCLOSURE OF OUTSTANDING SHARE DATA (as at May 17, 2019)

Common shares outstanding:	44 980 558	
Options outstanding:	3 106 058	
Average exercise price of:	$ 0,59	
Expiry date	**Number of shares**	**Exercise price**
		$
June 2019	60 096	0,42
July 2019	168 269	0,42
July 2019	192 308	0,46
December 2020	1 125 000	0,61
May 2022	240 385	0,62
December 2023	1 320 000	0,61
	3 106 058	
Warrants outstanding :	4 445 331	
Average exercise price of:	$ 0,85	
Expiry date	**Number of shares**	**Exercise price**
		$
June 2020	4 445 331	0,85

Risks and Uncertainties. The Company is subject to a variety of risks, some of which are described below. If any of the following risks occur, the Company's business, results of operations or financial condition could be adversely affected in a material manner.

Exploration and mining risks. The business of exploration for minerals and mining involves a high degree of risk. Few projects that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company from time to time increases its internal exploration and operating expertise with due advice from consultants and others as required. The economics of developing gold and other mineral projects is affected by many factors, including the cost of operations, variation of the grade mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral projects, nor any known bodies of commercial value. Programs conducted on the Company's mineral project encompass exploratory searches for minerals.

Titles to project. While the Company has diligently investigated title to the various projects in which it has an interest, and to the best of its knowledge, title to those projects are in good standing, this should not be construed as a guarantee of title. The projects may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

Permits and licenses. The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Metal prices. Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

Competition. The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

Environmental regulations. The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Conflicts of interest. Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource projects. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Stage of development. The Company's projects are in the exploration stage, and to date none of them have a proven economic viability. The Company does not have a history of earnings or providing a return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Industry conditions. Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of project, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

Uninsured hazards. Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards which cannot be insured against or against which the Company may elect not to insure because of the high cost of premiums or for other reasons. The payment of any such liability could result in the loss of Company assets or the Company's insolvency.

Future financing. Completion of future programs may require additional financing, which may dilute the interests of existing shareholders.

Key employees. Management of the Company rests on a few key officers and members of the board of directors, the loss of any of whom could have a detrimental effect on its operations.

Canada Revenue Agency. No assurance can be made that Canada Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses or the eligibility of such expenses as Canadian exploration expenses under the *Income Tax Act* (Canada).