

QUEBEC PRECIOUS METALS
CORPORATION

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Condensed Interim Financial Statements

(Unaudited and unreviewed by the Company's Independent Auditors)

**Three-month and six-month periods ended
July 31, 2021 and 2020**

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Condensed Interim Financial Statements

Three-month and six-month periods ended July 31, 2021 and 2020

Condensed Interim Financial Statements

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QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Condensed Interim Statements of Financial Position

As at July 31, 2021 and January 31, 2021

(in Canadian dollars)

| | Note | July 31 2021 | January 31 2021 |
|---|------|------------------|--------------------|
| | | \$ | \$ |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | 4 | 3,526,067 | 1,178,991 |
| Restricted cash | 5 | - | 1,125,000 |
| Marketable securities | 6 | 158,436 | 614,527 |
| Other receivables | | 16,699 | 1,236 |
| Taxes receivable | | 163,590 | 57,117 |
| Prepaid expenses | | 201,279 | 104,254 |
| Deposits related to exploration and evaluation activities | | - | 50,000 |
| Tax credits related to resources receivable | | 136,306 | 140,226 |
| Mining tax credits receivable | | 28,403 | 28,900 |
| Total current assets | | 4,230,780 | 3,300,251 |
| Non-current assets: | | | |
| Property and equipment | | 6,975 | 8,671 |
| Total non-current assets | | 6,975 | 8,671 |
| Total assets | | 4,237,755 | 3,308,922 |
| Liabilities and Equity | | | |
| Current liabilities: | | | |
| Trade accounts payable and other liabilities | | 1,023,927 | 368,100 |
| Other liabilities related to flow-through financings | 7 | - | 117,468 |
| Total current liabilities | | 1,023,927 | 485,568 |
| Non-current liabilities: | | | |
| Loan | 8 | 32,804 | - |
| Total non-current liabilities | | 32,804 | - |
| Total liabilities | | 1,056,731 | 485,568 |
| Equity: | | | |
| Share capital | 9 | 50,517,286 | 47,551,328 |
| Contributed surplus | 10 | 4,984,286 | 4,615,282 |
| Deficit | | (52,320,548) | (49,343,256) |
| Total equity | | 3,181,024 | 2,823,354 |
| Total liabilities and equity | | 4,237,755 | 3,308,922 |

Going concern, see Note 2.

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

These financial statements were approved and authorized for issue by the Board of Directors on September 22, 2021.

(S) Mario Caron
Director

(S) Jean-François Meilleur
Director

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Condensed Interim Statement of Loss and Comprehensive Loss

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

| | Three-month period ended | | Six-month period ended | |
|---|--------------------------|-------------------|------------------------|--------------------|
| | July 31 2021 | July 31 2020 | July 31 2021 | July 31 2020 |
| | \$ | \$ | \$ | \$ |
| Expenses: | | | | |
| Salaries and employee benefit expense | 240,386 | 143,335 | 438,854 | 375,169 |
| General administrative expenses | 20,945 | 24,206 | 79,162 | 93,367 |
| Travel and promotion | 130,000 | - | 195,343 | 16,598 |
| Registration, listing fees and shareholder information | 44,444 | 24,008 | 51,129 | 71,959 |
| Professional and consulting fees | 187,330 | 82,531 | 296,454 | 216,686 |
| Share-based compensation | 10 | 79,316 | 49,001 | 175,412 |
| Part XII.6 tax | - | (7,884) | - | 6,673 |
| Exploration and evaluation expenditures | 12 | 921,832 | 842,976 | 1,962,601 |
| Depreciation of property and equipment | 862 | 438 | 1,696 | 714 |
| Operating loss before other revenues and income tax | 1,625,115 | 1,158,611 | 3,200,651 | 3,785,644 |
| Other expenses (revenues): | | | | |
| Finance expense | 288 | - | 288 | - |
| Interest income | (1,138) | (15,339) | (4,249) | (41,003) |
| Other revenues | - | (218) | - | (218) |
| Government assistance | 8 | (27,484) | (27,484) | - |
| Change in fair value of marketable securities | 6 | 38,600 | 474 | (184,250) |
| Gain on disposal of mining projects | 12 | - | (75,000) | (208,000) |
| Exchange loss | 80 | - | 80 | - |
| Total other expenses (revenues) | 10,346 | (426,557) | (105,891) | (433,471) |
| Loss before income tax | (1,635,461) | (732,054) | (3,094,760) | (3,352,173) |
| Income tax recovery | - | 354,519 | 117,468 | 1,170,889 |
| Net loss and comprehensive loss | (1,635,461) | (377,535) | (2,977,292) | (2,181,284) |
| Weighted average number of common shares outstanding | 81,902,099 | 67,434,334 | 74,911,043 | 67,434,334 |
| Basic and diluted loss per share: | (0.020) | (0.006) | (0.040) | (0.032) |

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

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Condensed Interim Statement of Changes in Equity

Six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

| | Note | Number of shares outstanding | Share capital \$ | Contributed surplus \$ | Deficit \$ | Total equity \$ |
|--|------|------------------------------------|------------------------|------------------------------|---------------|-----------------------|
| Balance as at January 31, 2021 | | 67,684,334 | 47,551,328 | 4,615,282 | (49,343,256) | 2,823,354 |
| Shares issued: | | | | | | |
| Private placements | 11 | 14,774,543 | 3,250,399 | | | 3,250,399 |
| Share issuance costs | 11 | | (284,441) | | | (284,441) |
| Share options granted | 10 | | | 187,963 | | 187,963 |
| Brokers and intermediaries' options granted | 10 | | | 48,002 | | 48,002 |
| Deferred share units granted | 10 | | | 133,039 | | 133,039 |
| Transaction with owners | | 82,458,877 | 50,517,286 | 4,984,286 | (49,343,256) | 6,158,316 |
| Net loss and comprehensive loss for the period | | | | | (2,977,292) | (2,977,292) |
| Balance as at July 31, 2021 | | 82,458,877 | 50,517,286 | 4,984,286 | (52,320,548) | 3,181,024 |
| Balance as at January 31, 2020 | | 67,434,334 | 47,439,128 | 4,245,397 | (46,396,891) | 5,287,634 |
| Share options granted | 10 | | | 269,577 | | 269,577 |
| Share issuance costs | | | (1,245) | | | (1,245) |
| Transaction with owners | | 67,434,334 | 47,437,883 | 4,514,974 | (46,396,891) | 5,555,966 |
| Net loss and comprehensive loss for the period | | | | | (2,181,284) | (2,181,284) |
| Balance as at July 31, 2020 | | 67,434,334 | 47,437,883 | 4,514,974 | (48,578,175) | 3,374,682 |

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

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Condensed Interim Statement of Cash Flows

Six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

| | Six-month period ended | |
|---|------------------------|--------------------|
| | July 31 | July 31 |
| | 2021 | 2020 |
| | \$ | \$ |
| Operating activities: | | |
| Net loss | (2,977,292) | (2,181,284) |
| Adjustments for: | | |
| Income tax recovery | (117,468) | (1,170,889) |
| Effective interest on loan | (7,196) | - |
| Depreciation of property and equipment | 1,696 | 714 |
| Share-based compensation | 175,412 | 269,577 |
| Change in fair value of marketable securities | 474 | (184,250) |
| Gain on disposal of mining projects | (75,000) | (108,000) |
| Operating activities before changes in working capital items | (2,999,374) | (3,374,132) |
| Change in other receivables | (16,699) | 32,349 |
| Change in interests receivable | 1,236 | (22,051) |
| Change in taxes receivable | (106,473) | (8,920) |
| Change in prepaid expenses | (97,025) | 27,013 |
| Change in deposits related to exploration and evaluation activities | 50,000 | 359,905 |
| Change in tax credits related to resources receivable | 3,920 | 560,890 |
| Change in mining tax credits receivable | 497 | 70,931 |
| Change in trade accounts payable and other liabilities | 801,417 | 70,915 |
| Change in working capital items | 636,873 | 1,091,032 |
| Cash flows used for operating activities | (2,362,501) | (2,283,100) |
| Financing activities: | | |
| Proceeds from private placements | 3,250,399 | - |
| Decrease in restricted cash | 1,125,000 | - |
| Proceeds from a loan | 40,000 | - |
| Share issuance costs | (236,439) | (1,245) |
| Cash flows from (used for) financing activities | 4,178,960 | (1,245) |
| Investing activities: | | |
| Proceeds from disposal of marketable securities | 455,617 | 692,000 |
| Option payments received | 75,000 | - |
| Acquisition of equipment | - | (3,662) |
| Cash flows from investing activities | 530,617 | 688,338 |
| Net change in cash and cash equivalents | 2,347,076 | (1,596,007) |
| Cash and cash equivalents, beginning of period | 1,178,991 | 2,460,498 |
| Cash and cash equivalents, end of period | 3,526,067 | 864,491 |

Additional disclosures of cash flow information (Note 13).

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

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Notes to Condensed Interim Financial Statements

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

1. Statute of incorporation, nature of activities and going concern:

The Company, Quebec Precious Metals Corporation or the ("Company"), incorporated under the Canada Business Corporations Act, is a mineral exploration company operating in Canada. Its shares are traded on TSXV Stock Exchange on symbol QPM, on American Stock Exchange OTCQB Market on symbol CJCF and on Frankfurt exchange on symbol YXEN. On February 1st, 2019, the Company liquidated its subsidiary Matamec, which was a dormant company. The dissolution of Matamec took place on September 5, 2019. Following this transaction, the Company no longer has a subsidiary to consolidate in its financial statements. The address of the Company's head office and registered office is 1080, Côte du Beaver Hall, Suite 2101, Montréal, Québec, H2Z 1S8 and its web site is www.qpmcorp.ca.

Since the beginning of March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These circumstances have increased business uncertainties and have heightened risk levels to operating businesses.

The Company shut down site activities on March 13, 2020 in accordance with provincial requirements as issued by Québec Government and Health Canada/Santé Québec. The Company re-commenced on-site activities in June 2020 and is continuing to further the Company's objectives during this uncertain and rapidly evolving time and is following the recommendations of Québec Government and Health Canada/Santé Québec. It is not possible to reliably estimate the length and severity of these developments and the potential impact on the financial results and condition of the Company and its operations in future periods.

The Company has put in place a rigorous protocol, in accordance with INSPQ (Institut national de santé publique du Québec) and CNESST (Commission des normes, de l'équité, de la santé et de la sécurité du travail) guidelines, to ensure the protection of all stakeholders in the region in the context of the COVID-19 pandemic.

The Company has not yet determined whether the mining projects have mineral reserves. The exploration and development of mineral deposits involves significant financial risks. The success of the Company will be influenced by a number of factors, including exploration and extraction risks, regulatory issues, environmental regulations and other regulations.

Although management has taken steps to verify titles of the mining projects in which the Company holds an interest, in accordance with industry standards for the current stage of exploration of such projects, these procedures do not guarantee the Company's project title. Project title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

The financial statements have been prepared by the Company on a going concern basis, assuming that the Company will be able to realize its assets and settle its liabilities in the normal course of business as they come due.

For the six-month period ended July 31, 2021, the Company recorded a net loss of \$2,977,292 (\$2,181,284 for the six-month period ended July 31, 2020) and has an accumulated deficit of \$52,320,548 as at July 31, 2021 (\$49,343,256 as at January 31, 2021). Besides the usual needs for working capital, the Company must obtain funds to enable it to meet the timelines of its exploration programs and to pay its overhead and administrative costs. As at July 31, 2021, the Company had a working capital of \$3,206,853 (\$2,814,683 as at January 31, 2021) consisting primarily of cash and cash equivalents of \$3,526,067 (\$1,178,991 as at January 31, 2021). The Company is still in exploration stage and, as such, no revenue nor cash flow has been yet generated from its operating activities. Consequently, management periodically seeks financing through the issuance of shares, the exercise of warrants and share purchase options to continue its operations, and despite the fact that it has been able in the past, there is no guarantee of success for the future. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The accompanying financial statements do not reflect the adjustments to the carrying value of assets and liabilities, the reported revenues and expenses and statement of financial position classification that would be necessary if the going concern assumption is not appropriate. These adjustments could be material.

2. Basis of preparation:

2.1 Statement of compliance:

These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") in accordance with IAS 34, Interim Financial Reporting.

Certain information, in particular the accompanying notes, normally included in the audited annual financial statements prepared in accordance with IFRS, has been omitted or condensed. Accordingly, these unaudited condensed interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual financial statements of the Company and the notes thereto for the year ended January 31, 2021.

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

2. Basis of preparation (continued):

2.2 Basis of measurement:

The condensed interim financial statements have been prepared on the historical cost basis except for where IFRS requires recognition at fair value.

2.3 Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

2.4 Use of estimates and judgements:

Critical judgments in applying the accounting policies of the Company in the preparation of these condensed interim financial statements and key assumptions related to these estimation uncertainties are the same as the ones listed and described in Note 2 of the annual audited financial statements of the Company as at January 31, 2021.

3. Significant accounting policies:

These condensed interim financial statements have been prepared following the same accounting policies used in Note 3 of the annual audited financial statements for the year ended January 31, 2021.

3.1 Adoption of new accounting standards:

There was no adoption of new accounting policies in preparing the condensed interim financial statements as at July 31, 2021.

3.2 New standards and interpretations that have not yet been adopted:

Since the issuance of the Company's audited financial statements for the year ended January 31, 2021, the IASB and IFRIC have issued no additional new and revised standards and interpretations which are applicable to the Company.

4. Cash and cash equivalents:

| | July 31 2021 | January 31 2021 |
|---|-----------------|--------------------|
| | \$ | \$ |
| Cash | 3,526,067 | 1,095,991 |
| Cash equivalents ⁽¹⁾ | | |
| GIC expiring on April 20, 2021 at a rate of 1.90% | - | 83,000 |
| | 3,526,067 | 1,178,991 |

(1) These instruments are cashable without penalty 30 days from the date of the acquisition.

5. Restricted cash:

| | July 31 2021 | January 31 2021 |
|------|-----------------|--------------------|
| | \$ | \$ |
| Cash | - | 1,125,000 |
| | - | 1,125,000 |

Restricted cash represents cash where the availability of funds is restricted by a contractual commitment that requires the Company to incur exploration and evaluation expenditures in accordance with an option agreement arising from the disposal of a mining project (See Note 12 - La Loutre Project).

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

6. Marketable securities:

| Number of shares | | | | | Carrying value | | | | |
|---------------------|-----------|-------------|----------------------------|-----------|----------------|------|--------------------------|----------|---------|
| January 31 | | Acquisition | Disposition | July 31 | January 31 | | Change in fair value | July 31 | |
| 2021 | 2021 | | | 2021 | 2021 | 2021 | | 2021 | |
| | | | | | \$ | \$ | \$ | \$ | \$ |
| Shares | | | | | | | | | |
| LMR ⁽¹⁾ | 1,750,000 | - | (1,750,000) ⁽⁵⁾ | - | 205,000 | - | (310,283) ⁽⁵⁾ | 105,283 | - |
| UGM ⁽²⁾ | 431,000 | - | (431,000) ⁽⁶⁾ | - | 112,060 | - | (119,530) ⁽⁶⁾ | 7,470 | - |
| NICO ⁽³⁾ | 181,089 | - | (35,000) ⁽⁷⁾ | 146,089 | 177,467 | - | (25,804) ⁽⁷⁾ | (93,227) | 58,436 |
| FEX ⁽⁴⁾ | 1,000,000 | - | - | 1,000,000 | 120,000 | - | - | (20,000) | 100,000 |
| | 3,362,089 | - | (2,216,000) | 1,146,089 | 614,527 | - | (455,617) | (474) | 158,436 |

| Number of shares | | | | | Carrying value | | | | |
|---------------------|---------|---------------------------|---------------------------|------------|----------------|-------------------------|--------------------------|------------|---------|
| January 31 | | Acquisition | Disposition | January 31 | January 31 | | Change in fair value | January 31 | |
| 2020 | 2021 | | | 2021 | 2020 | 2021 | | | |
| | | | | | \$ | \$ | \$ | \$ | \$ |
| Shares | | | | | | | | | |
| LMR ⁽¹⁾ | 750,000 | 1,000,000 ⁽⁸⁾ | - | 1,750,000 | 33,750 | 45,000 ⁽⁸⁾ | - | 126,250 | 205,000 |
| UGM ⁽²⁾ | - | 800,000 ⁽⁹⁾ | (369,000) ⁽¹²⁾ | 431,000 | - | 108,000 ⁽⁹⁾ | (79,019) ⁽¹²⁾ | 83,079 | 112,060 |
| NICO ⁽³⁾ | - | 181,089 ⁽¹⁰⁾ | - | 181,089 | - | 125,000 ⁽¹⁰⁾ | - | 52,467 | 177,467 |
| FEX ⁽⁴⁾ | - | 1,000,000 ⁽¹¹⁾ | - | 1,000,000 | - | 95,000 ⁽¹¹⁾ | - | 25,000 | 120,000 |
| | 750,000 | 2,981,089 | (369,000) | 3,362,089 | 33,750 | 373,000 | (79,019) | 286,796 | 614,527 |

(1) Lomiko Metals Inc. - TSX Venture - Symbol "LMR"

(2) UrbanGold Minerals Inc. - TSX Venture - Symbol "UGM"

(3) Class 1 Nickel and Technologies Ltd. - Canadian Securities Exchange - Symbol "NICO"

(4) Fjordland Exploration Inc. - TSX Venture - Symbol "FEX"

(5) Between February and April 2021, the Company disposed of 1,750,000 LMR common shares for proceeds of \$310,283.

(6) In February and March 2021, the Company disposed of 431,000 UGM common shares for proceeds of \$119,530.

(7) In March and April 2021, the Company disposed of 35,000 NICO common shares for proceeds of \$25,805.

(8) On August 31, 2020, the Company received 1,000,000 shares of Lomiko Metals Inc. measured at its fair value of \$45,000 (Note 12 - La Loutre option agreement).

(9) On May 27, 2020, the Company received 800,000 shares of UrbanGold Minerals Inc. measured at its fair value of \$108,000 (Note 12 - Chemin Troilus option agreement).

(10) On August 20 and 28, 2020, the Company received 76,923 shares and 104,166 respectively of Class 1 Nickel and Technologies Ltd measured at its fair value of \$125,000 (Note 12 - Somanike option agreement).

(11) On January 29, 2021, the Company received 1,000,000 shares of Fjordland Exploration Inc. measured at its fair value of \$95,000 (Note 12 - Vulcain option agreement).

(12) Between October 2020 and January 2021, the Company disposed of 369,000 UGM common shares for proceeds of \$79,019.

7. Other liabilities related to flow-through shares:

| | July 31 | January 31 |
|---|-----------|-------------|
| | 2021 | 2021 |
| | \$ | \$ |
| Other liabilities related to flow-through shares: | | |
| Increase of the period / year | - | - |
| Decrease related to the incurring of expenses | (117,468) | (1,591,920) |
| | (117,468) | (1,591,920) |
| Balance, beginning of period / year | 117,468 | 1,709,388 |
| Balance, end of period / year | - | 117,468 |

Other liabilities related to flow-through shares represent the renunciation of tax deductions to investors following flow-through share financing.

During the year ended January 31, 2020, the Company committed to incur, before December 31, 2020, which date has been extended to December 31, 2021, \$5,623,903 in eligible exploration and evaluation expenses, in accordance with the Income Tax Act of Canada and the Taxation Act of Quebec, and to transfer these tax deductions to the subscribers of a flow-through share financing completed November 29, 2019. In connection with this commitment, the Company incurred cumulative eligible expenses of \$5,623,903 as at July 31, 2021. As at July 31, 2021, the Company has fulfilled its obligation by incurring an amount of \$5,623,903 in exploration and evaluation expenditures before December 31, 2021.

QUEBEC PRECIOUS METALS CORPORATION

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Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

7. Other liabilities related to flow-through shares (continued):

The disallowance of certain expenses by tax authorities could have negative tax consequences for investors or the Company. In such an event, the Company would indemnify each flow-through share subscriber for the additional taxes payable by such subscriber as a result of the Company's failure to renounce the qualifying expenditures as agreed.

8. Loan:

On July 8, 2021, the Company received \$60,000 from the Canada Emergency Business Account ("CEBA"). The Government of Canada has launched the new CEBA which has been implemented by eligible financial institutions in cooperation with Export Development Canada. The CEBA program has approved an interest-free loan of up to \$60,000 to the Company to help cover operating costs due to the economic impacts of the COVID-19 virus. The outstanding balance of the CEBA must be repaid by December 31, 2022. Repayment of the CEBA received on or before the due date will result in loan forgiveness of 33.3% (up to \$20,000).

For purposes of determining the fair value of the liability, an effective interest rate of 15% was used which is the estimated market rate that the Company would have obtained for a similar financing. The liability is accreted up to the face value of the loan over the term of the loan as an interest expense. At the issuance, the loan was calculated to be \$32,516, the effective interest was \$7,484 and the government assistance was \$27,484 which included the loan forgiveness of \$20,000 plus the effective interest of \$7,484. During the six-month period ended July 31, 2021, an effective interest expense of \$288 was recorded in the P&L (\$Nil for the year ended January 31, 2021).

9. Share capital:

(a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued and outstanding:

On May 3, 2021, the Company concluded a private placement by issuing 11,974,543 common shares at a price of \$0.22 per share for net proceeds of \$2,452,960 after deducting share issuance costs of \$181,439. A commission of \$73,736 was paid in connection with this private placement. As part of this private placement, the Company also issued a total of 431,164 brokers and intermediaries' options. Each brokers and intermediaries' option entitles its holder to purchase one common share at \$0.30 per share until May 3, 2023. These brokers and intermediaries' option have been recorded at a value of \$32,596 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (d)). Share issuance costs amounted to \$214,035 including the fair value of the brokers and intermediaries' options of \$32,596.

On May 5, 2021, the Company concluded a private placement by issuing 2,700,000 common shares at a price of \$0.22 per share for net proceeds of \$540,964 after deducting share issuance costs of \$53,036. A commission of \$47,520 was paid in connection with this private placement. As part of this private placement, the Company also issued a total of 216,000 brokers and intermediaries' options. Each brokers and intermediaries' option entitles its holder to purchase one common share at \$0.30 per share until May 5, 2023. These brokers and intermediaries' option have been recorded at a value of \$14,810 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (d)). Share issuance costs amounted to \$67,846 including the fair value of the brokers and intermediaries' options of \$14,810.

On May 18, 2021, the Company concluded a private placement by issuing 100,000 common shares at a price of \$0.22 per share for net proceeds of \$20,036 after deducting share issuance costs of \$1,964. A commission of \$1,760 was paid in connection with this private placement. As part of this private placement, the Company also issued a total of 8,000 brokers and intermediaries' options. Each brokers and intermediaries' option entitles its holder to purchase one common share at \$0.30 per share until May 18, 2023. These brokers and intermediaries' option have been recorded at a value of \$596 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (d)). Share issuance costs amounted to \$2,560 including the fair value of the brokers and intermediaries' options of \$596.

10. Share purchase options, DSUs and warrants:

(a) Share purchase options:

In November 2018, the shareholders of the Company approved a stock option plan (the "Plan") whereby the Board of Directors may grant to directors, officers, employees and consultants of the Company, share purchase options to acquire common shares of the Company. Terms of each share purchase option is determined by the Board of Directors. Share purchase options granted pursuant to the Plan can also be subject to the vesting requirements and period determined by the Board of Directors.

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

10. Share purchase options, DSUs and warrants (continued):

(a) Share purchase options (continued):

The Plan provides that the maximum number of common shares that may be reserved for issuance under the Plan shall be equal to 6,743,433 common shares of the Company. The maximum number of common shares which may be for issuance at the grant of the share purchase options to any optionee may not exceed 5% of the outstanding common shares at the date of grant and may not exceed 2% of the outstanding common shares for consultants and investor relations representatives. These share purchase options will expire no later than ten years after being granted.

The option exercise price is established by the Board of Directors and may not be lower than the market price of the common shares at the date of grant.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The changes to the number of outstanding share options granted by the Company and their weighted average exercise price are as follows:

| | July 31 2021 | | January 31 2021 | |
|--------------------------|---|---------------------------------------|---|---------------------------------------|
| | Number of outstanding share options | Weighted average exercise price | Number of outstanding share options | Weighted average exercise price |
| | | \$ | | \$ |
| Outstanding at beginning | 4,525,385 | 0.39 | 4,455,385 | 0.48 |
| Granted | 1,775,000 | 0.29 | 1,770,000 | 0.27 |
| Exercised | - | - | (250,000) | 0.31 |
| Expired / forfeited | (770,000) | 0.26 | (1,450,000) | 0.55 |
| Outstanding at end | 5,530,385 | 0.37 | 4,525,385 | 0.39 |
| Exercisable at end | 4,513,719 | 0.39 | 4,042,052 | 0.39 |

The following table provides outstanding share options information as at July 31, 2021:

| Expiry date | Outstanding share options | | | |
|-------------------|---------------------------------------|---|-------------------|------------------------------|
| | Number of granted share options | Number of exercisable share options | Exercise price | Remaining life (years) |
| | | | \$ | |
| February 17, 2022 | 75,000 | 75,000 | 0.28 | 0.6 |
| May 4, 2022 | 240,385 | 240,385 | 0.624 | 0.8 |
| February 19, 2023 | 50,000 | 50,000 | 0.29 | 1.6 |
| February 25, 2023 | 200,000 | 200,000 | 0.29 | 1.6 |
| December 12, 2023 | 1,020,000 | 1,020,000 | 0.61 | 2.4 |
| June 20, 2024 | 450,000 | 450,000 | 0.34 | 2.9 |
| July 11, 2024 | 1,000,000 | 1,000,000 | 0.35 | 2.9 |
| February 17, 2025 | 685,000 | 685,000 | 0.28 | 3.6 |
| July 24, 2025 | 50,000 | 50,000 | 0.27 | 4.0 |
| October 26, 2025 | 235,000 | 235,000 | 0.23 | 4.2 |
| February 19, 2026 | 1,225,000 | 408,334 | 0.29 | 4.6 |
| June 11, 2026 | 300,000 | 100,000 | 0.30 | 4.9 |
| | 5,530,385 | 4,513,719 | 0.37 | 3.3 |

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

10. Share purchase options, DSUs and warrants (continued):

(a) Share purchase options (continued):

The following table provides outstanding share options information as at January 31, 2021:

| Expiry date | Number of granted share options | Number of exercisable share options | Outstanding share options | |
|-------------------|---------------------------------|-------------------------------------|---------------------------|----------------|
| | | | Exercise price | Remaining life |
| | | | \$ | (years) |
| July 11, 2021 | 50,000 | 50,000 | 0.35 | 0.4 |
| December 3, 2021 | 270,000 | 270,000 | 0.235 | 0.8 |
| February 17, 2022 | 75,000 | 75,000 | 0.28 | 1.0 |
| May 4, 2022 | 240,385 | 240,385 | 0.624 | 1.3 |
| August 6, 2022 | 250,000 | 250,000 | 0.31 | 1.5 |
| December 12, 2023 | 1,020,000 | 1,020,000 | 0.61 | 2.9 |
| June 20, 2024 | 450,000 | 300,000 | 0.34 | 3.4 |
| July 11, 2024 | 1,000,000 | 666,667 | 0.35 | 3.4 |
| February 17, 2025 | 685,000 | 685,000 | 0.28 | 4.0 |
| March 13, 2025 | 200,000 | 200,000 | 0.19 | 4.1 |
| July 24, 2025 | 50,000 | 50,000 | 0.27 | 4.5 |
| October 26, 2025 | 235,000 | 235,000 | 0.23 | 4.7 |
| | 4,525,385 | 4,042,052 | 0.39 | 3.0 |

The following table provides the weighted average fair value of options granted:

| | July 31 2021 | January 31 2021 |
|--|-----------------|--------------------|
| | \$ | \$ |
| Weighted average fair value of options granted | \$0.16 | \$0.16 |

The fair value of each option granted (including extended options) is estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

| | July 31 2021 | January 31 2021 |
|---|-----------------|--------------------|
| Weighted average expected dividend yield | 0% | 0% |
| Weighted average share price at grant date | \$0.27 | \$0.27 |
| Weighted average expected volatility | 82.16% | 88.60% |
| Weighted average risk-free interest rate | 0.62% | 0.82% |
| Weighted average exercise price at grant date | \$0.29 | \$0.27 |
| Weighted average expected life | 4.6 years | 3.6 years |

The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected average life of the options. No special features inherent to the options granted were incorporated into measurement of fair value.

An amount of \$79,316 and \$187,963 of share-based compensation were accounted in profit or loss for the three-month and six-month periods ended July 31, 2021 respectively (\$49,001 and \$269,577 for the three-month and six-month periods ended July 31, 2020 respectively) and credited to contributed surplus. As at July 31, 2021, an amount of \$124,919 (\$24,574 for the year ended January 31, 2021) remains to be amortized until January 31, 2024 related to the grant of stock options not vested.

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

10. Share purchase options, DSUs and warrants (continued):

(b) Deferred share units ("DSUs"):

The changes to the number of outstanding DSUs granted by the Company are as follows:

| | July 31 2021 | January 31 2021 |
|--------------------------|---------------------------------|---------------------------------|
| | Number of outstanding DSU | Number of outstanding DSU |
| Outstanding at beginning | - | - |
| Granted | 502,033 | - |
| Outstanding at end | 502,033 | - |

On February 19, 2021, 502,033 DSUs were granted under the Company's Deferred Share Unit Plan (adopted on October 20, 2020) to officers and an employee for a fair value of \$133,039. The DSUs are payable in common shares of QPM and/or cash upon the holder ceasing to be a director, an officer or an employee of the Company, as the case may be. These 502,033 DSUs with a fair value of \$133,039 were issued in lieu of the bonus payable of \$145,590 which has been recognized in the P&L during the year ended January 31, 2021. The bonus payable has been reversed on February 1, 2021 and replaced by the grant of the DSUs on February 19, 2021 which resulted in a gain on payment of \$12,551 of share-based compensation during the six-month period ended July 31, 2021 (reversal of the bonus payable of \$145,590 less the fair value of \$133,039 of the DSUs granted on February 19, 2021).

(c) Warrants:

The changes to the number of outstanding warrants granted by the Company and their weighted average exercise price are as follows:

| | July 31 2021 | | January 31 2021 | |
|--------------------------|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
| | Number of outstanding warrants | Weighted average exercise price | Number of outstanding warrants | Weighted average exercise price |
| | | \$ | | \$ |
| Outstanding at beginning | - | - | 4,445,331 | 0.85 |
| Expired | - | - | (4,445,331) | 0.85 |
| Outstanding at end | - | - | - | - |

(d) Brokers and intermediaries' options:

The changes to the number of outstanding brokers and intermediaries' options granted by the Company and their weighted average exercise price are as follows:

| | July 31 2021 | | January 31 2021 | |
|--------------------------|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
| | Number of outstanding warrants | Weighted average exercise price | Number of outstanding warrants | Weighted average exercise price |
| | | \$ | | \$ |
| Outstanding at beginning | 1,210,863 | 0.30 | 1,210,863 | 0.30 |
| Granted | 655,164 | 0.30 | - | - |
| Outstanding at end | 1,866,027 | 0.30 | 1,210,863 | 0.30 |

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

10. Share purchase options, DSUs and warrants (continued):

(d) Brokers and intermediaries' options (continued):

The following table provides outstanding brokers and intermediaries' options information as at July 31, 2021:

| Expiry date | Number of outstanding warrants | Outstanding warrants | |
|-------------------|--------------------------------------|----------------------|-------------------|
| | | Exercise price | Remaining life |
| | | \$ | (years) |
| November 29, 2021 | 1,210,863 | 0.30 | 0.3 |
| May 3, 2021 | 431,164 | 0.30 | 1.8 |
| May 5, 2021 | 216,000 | 0.30 | 1.8 |
| May 18, 2021 | 8,000 | 0.30 | 1.8 |
| | 1,866,027 | 0.30 | 0.8 |

The following table provides outstanding brokers and intermediaries' options information as at January 31, 2021:

| Expiry date | Number of outstanding warrants | Outstanding warrants | |
|-------------------|--------------------------------------|----------------------|-------------------|
| | | Exercise price | Remaining life |
| | | \$ | (years) |
| November 29, 2021 | 1,210,863 | 0.30 | 0.8 |
| | 1,210,863 | 0.30 | 0.8 |

The following table provides the weighted average fair value of brokers and intermediaries' options granted:

| | July 31 2021 | January 31 2021 |
|--|-----------------|--------------------|
| | \$ | \$ |
| Weighted average fair value of brokers and intermediaries' options granted | \$0.07 | - |

The fair value of each brokers and intermediaries' option granted (including extended options) is estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

| | July 31 2021 | January 31 2021 |
|---|-----------------|--------------------|
| Weighted average expected dividend yield | 0% | - |
| Weighted average share price at grant date | \$0.23 | - |
| Weighted average expected volatility | 73.17% | - |
| Weighted average risk-free interest rate | 0.30% | - |
| Weighted average exercise price at grant date | \$0.30 | - |
| Weighted average expected life | 2 years | - |

11. Earnings per share:

The warrants, share purchase options and DSUs were excluded from the diluted weighted average number of common shares calculation since the Company is operating at a loss and that their effect would have been antidilutive. Details of share purchase options, warrants and DSUs issued that could potentially dilute earnings per share in the future are given in Note 10.

Both the basic and diluted loss per share have been calculated using the net loss as the numerator, i.e. no adjustment to the net loss was necessary for the three-month and six-month periods ended July 31, 2021 and 2020.

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

12. Exploration and evaluation activities:

Exploration and evaluation expenditures by nature are detailed as follows:

| | Three-month period ended | | Six-month period ended | |
|--|--------------------------|-----------------|------------------------|-----------------|
| | July 31 2021 | July 31 2020 | July 31 2021 | July 31 2020 |
| | \$ | \$ | \$ | \$ |
| Exploration and evaluation activities: | | | | |
| Assays | 39,664 | 54,318 | 63,429 | 140,276 |
| Drilling | 254,453 | 532,664 | 1,198,066 | 1,911,440 |
| Line cutting | 202,432 | 22,906 | 202,432 | 22,906 |
| Reporting | - | 82,500 | 10,533 | 333,750 |
| Airborne geophysical survey | - | - | - | 143,377 |
| Metallurgy | 13,030 | - | 44,862 | - |
| Geochemistry | 40,548 | - | 40,548 | - |
| Geology and geophysics | 342,839 | 108,467 | 358,583 | 129,007 |
| Geophysical and electromagnetic survey | 54,258 | - | 54,258 | - |
| Prospecting | 108,156 | 22,319 | 108,156 | 22,319 |
| Other evaluation and exploration expenses | 19,994 | 24,167 | 35,276 | 36,191 |
| Rebidding | - | (4,365) | - | (4,365) |
| Tax credit related to resources and mining tax credits | (153,542) | - | (153,542) | - |
| | 921,832 | 842,976 | 1,962,601 | 2,734,901 |

Exploration and evaluation expenditures can be detailed as follows:

| | Three-month period ended | | Six-month period ended | |
|-------------------------|--------------------------|-----------------|------------------------|-----------------|
| | July 31 2021 | July 31 2020 | July 31 2021 | July 31 2020 |
| | \$ | \$ | \$ | \$ |
| Projects: | | | | |
| Blanche-Charles | 14,365 | - | 14,365 | - |
| Cheechoo-Éléonore Trend | 19,399 | - | 19,399 | - |
| Elmer East | 92,286 | 345,739 | 93,448 | 714,343 |
| La Loutre | - | - | - | 4,365 |
| Sakami | 795,782 | 497,237 | 1,835,389 | 2,016,193 |
| | 921,832 | 842,976 | 1,962,601 | 2,734,901 |

Gain on disposal of mining projects can be detailed as follows:

| | Three-month period ended | | | Three-month period ended | | |
|------------------|--------------------------|-----------------------|--------|--------------------------|-----------------------|---------|
| | July 31 2021 | | | July 31 2020 | | |
| | Cash payments | Issuance of shares | Total | Cash payments | Issuance of shares | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Projects: | | | | | | |
| Somanike | - | - | - | - | - | - |
| Chemin Troilus | - | - | - | 100,000 | 108,000 | 208,000 |
| | - | - | - | 100,000 | 108,000 | 208,000 |
| | Six-month period ended | | | Six-month period ended | | |
| | July 31 2021 | | | July 31 2020 | | |
| | Cash payments | Issuance of shares | Total | Cash payments | Issuance of shares | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Projects: | | | | | | |
| Somanike | 75,000 | - | 75,000 | - | - | - |
| Chemin Troilus | - | - | - | 100,000 | 108,000 | 208,000 |
| | 75,000 | - | 75,000 | 100,000 | 108,000 | 208,000 |

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

12. Exploration and evaluation activities (continued):

Sakami:

The Sakami project is wholly-owned by the Company, consists of one large contiguous block of 281 mineral claims (142.50 km²) and includes the contiguous claims that were part of the project, previously known as the project Apple (currently the Apple area). The project is located 90 km northwest of the Eleonore mine (operated by Newmont Corporation), 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. During the six-month period ended July 31, 2021, 22 claims have been transferred from Cheechoo-Éléonore Trend project.

Cheechoo-Éléonore Trend:

The Cheechoo-Éléonore Trend project is wholly-owned by the Company and consists of 529 claims (274.33 km²). The southeastern end of the project lies about 24 km northwest of the Éléonore mine, with a road access 14 km away. During the six-month period ended July 31, 2021, 22 claims have been transferred to Sakami project.

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 Resources Inc. Ownership was acquired on June 27, 2018.

Elmer East:

The Elmer East project is wholly-owned by the Company and consists of 929 claims (488 km²). The project is located along trend from the recent Patwon Prospect gold discovery made by Azimut Exploration Inc. ("Azimut") on its Elmer project located in the Eeyou Istchee James Bay territory, Quebec. The Elmer East project was acquired, by map designation, and includes the adjacent Annabelle block and the Opinaca Gold West block (505 claims, 266 km²). The western part of the Elmer East project is contiguous to Azimut's project.

Blanche-Charles:

The Blanche-Charles project is wholly-owned by the Company and consists of 317 claims (162.07 km²). It is located approximately 120 km northeast of the Eleonore mine.

Non-core assets:

New Gold:

The New Gold project is wholly-owned by the Company and consists of 49 claims (25.90 km²). It lies about 30 km southwest of the old Eastmain gold mine.

Chemin Troilus (no longer held):

The Chemin Troilus project was wholly-owned by the Company and consisted of 61 claims (33.15 km²). The project was located 25 km southwest of the former Troilus gold and copper mine and approximately 110 km north-northwest of Chibougamau. It was subject to a 2% NSR; the Company could have bought back 1.5% of the NSR for \$2,000,000. As at July 31, 2021, the Company had no interest in Chemin Troilus project.

On April 25, 2018, the Company entered into an asset purchase agreement to acquire 100% of the Chemin Troilus gold project owned by Sphinx. Ownership was acquired on June 27, 2018.

On May 21, 2020, UrbanGold Minerals Inc. ("UrbanGold") acquired the project following the signature of a final agreement with the Company, pursuant to which UrbanGold issued on May 26, 2020, 800,000 common shares at a price of \$0.135 per share and made a lump sum cash payment of \$100,000 and assumed responsibility for the pre-existing 2% NSR royalty.

As at July 31, 2021, UrbanGold held 100% of the Chemin Troilus project.

La Loutre (no longer held):

The La Loutre project consists of one contiguous block of 48 claims (28.67 km²) located approximately 53 km east of Lac-des-Îles graphite mine (operated by Imery) and 120 km northwest of Montreal, Quebec. The project is subject to a 1.5% NSR on certain claims, of which 0.5% may be bought back for an amount of \$500,000.

On January 31, 2020, Lomiko held 80% of the project. On April 16, 2020, the Company and Lomiko Metals Inc. ("Lomiko") agreed on the terms of an amendment on the option agreement on the La Loutre project allowing Lomiko to acquire up to 100% interest in the project.

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

12. Exploration and evaluation activities (continued):

Non-core assets (continued):

La Loutre (no longer held) (continued):

To earn its 100% interest as per the option agreement, Lomiko had to make cash payments, and issue common shares in the following timelines:

| | Cash payments | Issuance of shares |
|--------------------------------|--------------------------|--------------------------|
| | \$ | |
| On or before May 15, 2020 | | 1,000,000 ⁽¹⁾ |
| On or before December 31, 2021 | 1,125,000 ⁽²⁾ | |
| | 1,125,000 | 1,000,000 |

⁽¹⁾ These common shares were issued on August 31, 2020.

⁽²⁾ This cash payment was received on January 29, 2021. The Company has the obligation to incur exploration and evaluation expenditures on its properties for an amount of \$1,125,000 in accordance with the La Loutre project option agreement with Lomiko. This amount is presented in restricted cash in the statement of financial position of the Company (Note 5). As at July 31, 2021, the Company fulfilled its obligation by incurring \$1,125,000 of exploration and evaluation expenditures.

As at July 31, 2021, Lomiko held 100% of the project.

Somanike (no longer held):

The Somanike project was wholly-owned by the Company and consisted of 107 claims (50.21 km²). The project was located about 25 km northwest of Malartic, in the Abitibi region. As at July 31, 2021, the Company had no interest in the Somanike project.

On April 25, 2018, the Company entered into an asset purchase agreement to acquire 100% of the Somanike project owned by Sphinx. Ownership was acquired on June 27, 2018.

On August 20, 2018, the Company signed an agreement with Vanicom Resources Limited ("Vanicom") (Amended on March 20, 2019, September 18, 2019, June 2, 2020 and May 7, 2020) whereby Vanicom was granted an option to earn 100% interest in Somanike project.

To earn its 100% interest as per the option agreement, Vanicom had to make cash payments, issue common shares of Class 1 Nickel and Technologies Inc. ("Class 1"), its parent company and incur exploration expenses in the following timelines:

| | Cash payments | Issuance of shares | Exploration expenses to incur |
|--------------------------------|-----------------------|-----------------------|-------------------------------|
| | \$ | \$ | \$ |
| Upon signature | 25,000 ⁽¹⁾ | | - |
| On or before March 31 2019 | | | |
| On or before June 15, 2019 | 25,000 ⁽²⁾ | | |
| On or before December 31, 2021 | | 75,000 ⁽³⁾ | 600,000 ⁽⁴⁾ |
| On or before June 15, 2022 | 25,000 ⁽⁶⁾ | | |
| On or before June 15, 2023 | 50,000 ⁽⁶⁾ | 50,000 ⁽⁵⁾ | |
| | 125,000 | 125,000 | 600,000 |

⁽¹⁾ This cash payment was received on August 27, 2018.

⁽²⁾ This cash payment was received on July 12, 2019.

⁽³⁾ A total of 104,166 common shares were issued on August 28, 2020 at a price of \$0.72 per share for a value of \$75,000.

⁽⁴⁾ Exploration expenditures were all incurred.

⁽⁵⁾ A total of 76,923 common shares were issued on August 20, 2020 at a price of \$0.65 per share for a value of \$50,000.

⁽⁶⁾ This cash payment was received on February 12, 2021.

As at July 31, 2021, Class 1 held 100% of the project.

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

12. Exploration and evaluation activities (continued):

Non-core assets (continued):

Kipawa-Zeus:

The Company has a 68% interest in the Kipawa project, through the Kipawa Rare Earth Joint Venture ("SCCK"). IQ holds the remaining 32% interest. The project is part of the 73 claims (43.03 km²) 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.

On August 9, 2021, the Company announced that Vital Metals Limited ("Vital") and QPM have signed a binding term sheet for the acquisition by Vital of QPM's 68% interest in the Kipawa rare earth project and 100% of Zeus Rare Earth project in Quebec, Canada, for \$8 million. The transaction is expected to close in late 2021.

The cash payment schedule is as follows:

| | Cash payments |
|---|------------------------|
| | \$ |
| Upon signature | 150,000 ⁽¹⁾ |
| On the closing date ⁽²⁾ | 2,350,000 |
| On the first anniversary of the closing date | 2,500,000 |
| On the second anniversary of the closing date | 1,000,000 |
| On the third anniversary of the closing date | 1,000,000 |
| On the fourth anniversary of the closing date | 1,000,000 |
| | 8,000,000 |

⁽¹⁾ This cash payment was received in Trust by counsel in August 2021.

⁽²⁾ The closing date will be 5 days after the waiver of certain closing conditions including due diligence.

Tansim (no longer held):

The Tansim project consisted of 65 claims (37.66 km²) and was located in the Témiscamingue MRC. The Company owned a 50% interest in the project. The project was subject to a 0.25% NSR that could have been redeemed for \$60,000. As at July 31, 2021, the Company had no interest in the Tansim project.

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

The option was valid for a two-year period from the date of its signature, January 18, 2018. In the first year, Sayona could have acquired a 50% interest in 65 claims by spending \$103,587 to cover the renewal fees for those claims or spending \$63,587 (amount paid) on exploration before January 31, 2018, on 50 of those claims and paying the renewal fees for the remaining claims. Sayona was required to spend \$200,000 on exploration work (condition fulfilled) and pay to the Company \$100,000 in cash (amount paid).

In November 2018, the agreement with Sayona was amended to extend the deadline to complete the work (condition fulfilled) and make the \$100,000 (amount paid) payment from January 31, 2019 to April 19, 2019.

On December 22, 2019, the agreement allowing Sayona to acquire an additional 50% interest to own a 100% interest had been extended until December 31, 2020, to defer the \$250,000 payment (amount paid in December 2020) to the Company in consideration of an additional payment of \$25,000 (amount paid in December 2019). The Company will also receive a 2% NSR on the production of minerals mined on the project.

As at July 31, 2021, Sayona held 100% of the project.

Vulcain:

The Vulcain project consists of 68 claims (40.05 km²) located in Haute-Gatineau. It is wholly-owned by the Company, and is subject to a 1% NSR, which is redeemable for an amount of \$500,000.

On December 7, 2020, the Company entered into an option agreement with Fjordland Exploration Inc. ("FEX") whereby FEX may earn 100% interest of the Vulcain project. It is subject to a 1% NSR on production, of which 0.5% may be purchased at any time by the Company for \$500,000, and the second 0.5% for \$2,500,000 at any time.

To earn its 100% interest as per the option agreement, FEX has to make cash payments, issue common shares and incur exploration expenses in the following timelines:

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

12. Exploration and evaluation activities (continued):

Non-core assets (continued):

Vulcain (continued):

| | Cash payments | Issuance of Shares | Exploration expenses to incur |
|---|-----------------------|--------------------------|-------------------------------|
| | \$ | | \$ |
| Within 3 days of the reception of the approval of the TSX-V | 50,000 ⁽¹⁾ | 1,000,000 ⁽²⁾ | - |
| On or before December 7, 2025 | - | - | 1,000,000 |
| | 50,000 | 1,000,000 | 1,000,000 |

(1) This cash payment was made on December 22, 2020.

(2) These common shares were issued on December 18, 2020 at a price of \$0.095 per share.

Matheson:

The Company holds a 50% interest in four non-contiguous blocks totalling 41 single-cell mining claims, four patented claims (surface and mining rights) and three leases (surface and mining rights) totalling 12.77 km² held in the Matheson Joint Venture project ("Matheson Project"), located 24 km from downtown Timmins, Ontario.

13. Supplemental cash flow information:

The Company entered into the following transactions which had no impact on the cash flows:

| | Six-month period ended | |
|--|------------------------|---------|
| | July 31 | July 31 |
| | 2021 | 2020 |
| | \$ | \$ |
| Non-cash operating activities: | | |
| Reclassification from current liabilities to contributed surplus | 145,590 | - |

14. Related party transactions:

Related parties include the Company's joint key management personnel and members of the Board of Directors. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives. The remuneration of key management personnel and directors includes the following expenses:

| | Three-month period ended | | Six-month period ended | |
|--------------------------------|--------------------------|---------|------------------------|---------|
| | July 31 | July 31 | July 31 | July 31 |
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Management and consulting fees | 15,000 | - | 30,000 | - |
| Salaries and directors' fees | 159,469 | 144,613 | 331,400 | 356,483 |
| Share-based compensation | 53,522 | - | 140,032 | 130,870 |
| | 227,991 | 144,613 | 501,432 | 487,353 |

In addition to the related party transactions presented elsewhere in these financial statements, the following is a summary of other transactions:

Consul-Teck Exploration Minière Inc. is a company of which the former Vice-President Exploration (resigned on May 4, 2021) of the Company is a shareholder. An amount of \$462,050 was payable to Consul-Teck Exploration Minière Inc. as at July 31, 2021 (\$144,954 as at January 31, 2021). The following table provides a summary of the expenses incurred from Consul-Teck Exploration Minière Inc until May 4, 2021:

| | Three-month period ended | | Six-month period ended | |
|---|--------------------------|---------|------------------------|-----------|
| | July 31 | July 31 | July 31 | July 31 |
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Exploration and evaluation expenditures | (2,948) | 542,204 | 607,880 | 1,265,230 |
| Professional and consultant fees | - | - | - | 8,320 |
| General administrative expenses | - | - | - | 14,312 |
| | (2,948) | 542,204 | 607,880 | 1,287,862 |

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

14. Related party transactions (continued):

These transactions, entered into the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

15. Contingent liabilities:

The Company's operations are governed by governmental laws and regulations regarding environmental protection. Environmental consequences are difficult to identify, in terms of level, impact or deadline. At the present time and to the best knowledge of its management, the Company is in compliance with the laws and regulations. Any additional payment to liability already recorded that results from restoration costs will be accrued in the financial statements only when they will be reasonably estimated and will be charged to the earnings at that time.

The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. The disallowance of certain expenses by tax authorities may have negative tax consequences for investors. In the case the Company does not incur the required qualifying Canadian mineral exploration expenses as originally contemplated in its flow-through private placements, the Company has contractually agreed to indemnify the purchasers of such flow-through securities to compensate for adverse tax consequences they might incur.

16. Financial assets and liabilities:

The carrying amount and fair value of financial instruments presented in the statements of financial position related to the following classes of assets and liabilities:

| | July 31 2021 | | January 31 2021 | |
|--|--------------------|---------------|--------------------|---------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Fair value through profit or loss (FVTPL) | | | | |
| Marketable securities - Equities | 158,436 | 158,436 | 614,527 | 614,527 |
| | 158,436 | 158,436 | 614,527 | 614,527 |
| Financial assets | | | | |
| Amortized cost | | | | |
| Cash and cash equivalents | 3,526,067 | 3,526,067 | 1,178,991 | 1,178,991 |
| Restricted cash | - | - | 1,125,000 | 1,125,000 |
| Other receivables | 16,699 | 16,699 | 1,236 | 1,236 |
| | 3,542,766 | 3,542,766 | 2,305,227 | 2,305,227 |
| Financial liabilities | | | | |
| Amortized cost | | | | |
| Trade accounts payable and other liabilities | 1,023,927 | 1,023,927 | 368,100 | 368,100 |
| Loans | 32,804 | 32,804 | - | - |
| | 1,056,731 | 1,056,731 | 368,100 | 368,100 |

The fair values of the marketable securities are \$158,436 as at July 31, 2021 (\$614,527 as at January 31, 2021) and are determined by using the closing price at July 31, 2021 and January 31, 2021.

The fair values of the loan is \$32,804 as at July 31, 2021 (\$Nil as at July 31, 2020) and is determined by using the estimated market rate that the Company would have obtained for a similar financing.

The fair value of cash and cash equivalents, restricted cash, investments, other receivables and trade accounts payable and other liabilities is comparable to its carrying amount given the short period to maturity, i.e. the time value of money is not significant.

QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

16. Financial assets and liabilities (continued):

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. Marketable securities are classified as Level 1 and loan is classified in Level 2 in the fair value hierarchy.

17. Capital management policies and procedures:

The Company considers the items included in equity as capital components.

| | July 31 2021 | January 31 2021 |
|--------|-----------------|--------------------|
| | \$ | \$ |
| Loan | 32,804 | - |
| Equity | 3,181,024 | 2,823,354 |
| | 3,213,828 | 2,823,354 |

The Company's capital management objective is to have sufficient capital to be able to meet its exploration and mining development plan in order to ensure the growth of its activities. It also has the objective of having sufficient cash to finance its exploration and evaluation expenses, investing activities and working capital requirements. No changes were made in the objectives, policies and processes for managing capital during the reporting periods. The Company has no dividend policy.

The Company is subject to tax requirements related to the use of funds obtained by flow-through share financing. These funds must be incurred for eligible exploration expenses.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:

- Two years following the flow-through placements;
- One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities could have a negative tax impact for investors.

18. Financial instrument risks:

The Company is exposed to various risks in relation to financial instruments. The main types of risks the Company is exposed to are credit risk, liquidity risk, price risk and interest risk.

The Company manages risks in close cooperation with the board of directors. The Company focuses on actively securing short-term to medium-term cash flows by minimizing the exposure to financial markets.

(a) Credit risk:

Credit risk is the risk that another party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation.

The Company is exposed to credit risk with respect to its cash and cash equivalents, restricted cash and other receivables for an amount of \$3,542,766 as at July 31, 2021 (\$2,305,227 as at January 31, 2021). The credit risk associated with cash is minimal, as cash is placed with major Canadian financial institutions with strong investment-grade ratings by a primary ratings agency.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has sufficient financing sources. The Company establishes budgets to ensure it has the necessary funds to fulfill its obligations.

QUEBEC PRECIOUS METALS CORPORATION

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Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended July 31, 2021 and 2020

(in Canadian dollars)

18. Financial instrument risks (continued):

(b) Liquidity risk (continued):

In previous reporting periods, the Company financed its acquisitions of mining rights, exploration and evaluation expenditures and working capital needs through private financings consisting of issuance of common shares and flow-through shares, and by optioning some of its mining projects. Management estimates that the cash and cash equivalents as at July 31, 2021 will not be sufficient to meet the Company's needs for cash during the coming year (see Note 1).

Contractual maturities of financial liabilities are as follows:

| | | | | July 31 2021 |
|--|---------------------|-----------|----------------------|-----------------|
| | Less than 1 year | 1-5 years | More than 5 years | \$ Total |
| | \$ | \$ | \$ | \$ |
| Trade accounts payable and other liabilities | 1,023,927 | - | - | 1,023,927 |
| Loan | - | 40,000 | - | 40,000 |

| | | | | January 31 2021 |
|--|---------------------|-----------|----------------------|--------------------|
| | Less than 1 year | 1-5 years | More than 5 years | \$ Total |
| | \$ | \$ | \$ | \$ |
| Trade accounts payable and other liabilities | 368,100 | - | - | 368,100 |

(c) Price risk:

The Company is exposed to fluctuations in the market prices of its marketable securities in quoted mining exploration companies. The fair value of the marketable securities represents the maximum exposure to price risk. For the marketable securities in quoted mining exploration companies, an average volatility of 126.03% has been observed during the six-month period ended July 31, 2021 (102.67% for the year ended January 31, 2021).

This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If quoted stock price for these securities had increased as per the volatility, profit and loss would have changed by a markup of \$199,677 as at July 31, 2021 (markup of \$630,935 as at January 31, 2021) or if quoted stock price for these securities had decreased as per the volatility, profit and loss would have changed by a markdown of \$158,436 as at July 31, 2021 (\$614,527 as at January 31, 2021).

(d) Interest risk:

Interest rate risk represents the risk that the fair value or future cash flows of a fixed income investment fluctuates because of changes in market interest rates. The Company's fixed income investments, which comprise guaranteed investment certificates, are exposed to interest rate risk. Because of the relatively short period to maturity for these investments, the Company considers that the interest rate risk is minimal.

19. Subsequent event:

On August 9, 2021, the Company announced that Vital Metals Limited ("Vital") and QPM have signed a binding term sheet for the acquisition by Vital of QPM's 68% interest in the Kipawa rare earth project and 100% of Zeus Rare Earth project in Quebec, Canada, for \$8 million. The transaction is expected to close in late 2021. (See Note 12).