# QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

**Financial Statements**

**Years ended**
**January 31, 2022 and 2021**

# QUEBEC PRECIOUS METALS CORPORATION
(An exploration company)
## Financial Statements
Years ended January 31, 2022 and 2021

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# INDEPENDENT AUDITORS' REPORT

To the Shareholders of Quebec Precious Metals Corporation

## *Opinion*

We have audited the financial statements of Quebec Precious Metals Corporation (the "Entity"), which comprise:

- the statements of financial position as at January 31, 2022 and January 31, 2021
- the statements of loss and comprehensive loss for the years then ended
- the statements of changes in equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at January 31, 2022 and January 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"*Auditors' Responsibilities for the Audit of the Financial Statements*"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the financial statements, which indicates that the Entity is still in the exploration stage and, as such, no revenue has been yet generated and it has negative cash flows from its operating activities. Accordingly, the Entity depends on its ability to raise financing in order to discharge its commitments and liabilities in the normal course of operations.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

## *Other Information*

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

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

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

## *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this auditors' report is Marc-André Fontaine.

KPMG LLP*

Montréal, Canada

May 19, 2022

*CPA auditor, public accountancy permit No. A131804

# QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

## Statements of Financial Position

As at January 31, 2022 and January 31, 2021

(in Canadian dollars)

| | Note | January 31 2022 | January 31 2021 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | 4 | 1,578,789 | 1,178,991 |
| Restricted cash | 5 | - | 1,125,000 |
| Marketable securities | 6 | 137,366 | 614,527 |
| Other receivables | | - | 1,236 |
| Taxes receivable | | 283,121 | 57,117 |
| Prepaid expenses | | 150,814 | 104,254 |
| Deposits related to exploration and evaluation activities | | 4,000 | 50,000 |
| Tax credits related to resources receivable | | 1,188,817 | 140,226 |
| Mining tax credits receivable | | 161,495 | 28,900 |
| **Total current assets** | | 3,504,402 | 3,300,251 |
| **Non-current assets:** | | | |
| Property and equipment | 7 | 5,250 | 8,671 |
| **Total non-current assets** | | 5,250 | 8,671 |
| **Total assets** | | 3,509,652 | 3,308,922 |
| **Liabilities and Equity** | | | |
| **Current liabilities:** | | | |
| Trade accounts payable and other liabilities | | 1,118,121 | 368,100 |
| Other liabilities related to flow-through financings | 8 | - | 117,468 |
| **Total current liabilities** | | 1,118,121 | 485,568 |
| **Non-current liabilities:** | | | |
| Loan | 9 | 35,199 | - |
| **Total non-current liabilities** | | 35,199 | - |
| **Total liabilities** | | 1,153,320 | 485,568 |
| **Equity:** | | | |
| Share capital | 10 | 50,501,034 | 47,551,328 |
| Contributed surplus | 11 | 5,007,913 | 4,615,282 |
| Deficit | | (53,152,615) | (49,343,256) |
| **Total equity** | | 2,356,332 | 2,823,354 |
| **Total liabilities and equity** | | 3,509,652 | 3,308,922 |

Statute of incorporation, nature of activities and going concern, see Note 1.

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

These financial statements were approved and authorized for issue by the Board of Directors on May 19, 2022.

| | |
|---|---|
| (S) Paola Farnesi | (S) Mario Caron |
| Director | Director |

# QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

## Statement of Loss and Comprehensive Loss

Years ended January 31, 2022 and 2021

(in Canadian dollars)

| | | January 31 2022 | January 31 2021 |
|---|---|---|---|
| | | **$** | **$** |
| **Operating expenses:** | | | |
| Salaries and employee benefit expense | | 1,045,312 | 862,028 |
| Office expenses | | 170,065 | 114,640 |
| Business development and investor relations | | 510,030 | 296,066 |
| Registration, listing fees and shareholders information | | 84,619 | 86,236 |
| Professional and consulting fees | | 464,052 | 326,777 |
| Depreciation of property and equipment | | 3,421 | 2,430 |
| Share-based compensation | 11 | 247,917 | 404,585 |
| Part XII.6 tax | | 452 | - |
| Exploration and evaluation expenditures | 12 | 3,480,950 | 4,688,714 |
| **Operating loss** | | 6,006,818 | 6,781,476 |
| **Other (income) expenses:** | | | |
| Finance expense | | 2,683 | - |
| Interest income | | (4,266) | (53,978) |
| Other income | | - | (4,148) |
| Government assistance | 9 | (27,484) | - |
| Change in fair value of marketable securities | 6 | 21,544 | (286,796) |
| Gain on disposal of mining projects | 12 | (75,000) | (1,898,000) |
| Gain on disposal of net smelter return (NSR) | 12 | (2,000,000) | - |
| Exchange loss (gain) | | 2,532 | (269) |
| **Total net other (income)** | | (2,079,991) | (2,243,191) |
| . | | | |
| **Loss before income tax** | | (3,926,827) | (4,538,285) |
| Income tax recovery | 13 | 117,468 | 1,591,920 |
| **Net loss and comprehensive loss** | | (3,809,359) | (2,946,365) |
| **Weighted average number of common shares outstanding** | | 78,715,979 | 67,533,378 |
| **Basic and diluted loss per share:** | | (0.048) | (0.044) |

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

# QUEBEC PRECIOUS METALS CORPORATION
(An exploration company)
## Statement of Changes in Equity
Years ended January 31, 2022 and 2021
(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 | 10 | 14,774,543 | 3,250,399 | | | 3,250,399 |
| Share issuance costs | 10 | | (300,693) | | | (300,693) |
| Share options granted | 11 | | | 247,917 | | 247,917 |
| Brokers and intermediaries' options granted | 11 | | | 48,002 | | 48,002 |
| Deferred share units granted | 11 | | | 96,712 | | 96,712 |
| Transaction with owners | | 82,458,877 | 50,501,034 | 5,007,913 | (49,343,256) | 6,165,691 |
| Net loss and comprehensive loss for the year | | | | | (3,809,359) | (3,809,359) |
| **Balance as at January 31, 2022** | | 82,458,877 | 50,501,034 | 5,007,913 | (53,152,615) | 2,356,332 |
| **Balance as at January 31, 2020** | | 67,434,334 | 47,439,128 | 4,245,397 | (46,396,891) | 5,287,634 |
| Share options exercised | | 250,000 | 112,200 | (34,700) | | 77,500 |
| Share options granted | 11 | | | 404,585 | | 404,585 |
| Transaction with owners | | 67,684,334 | 47,551,328 | 4,615,282 | (46,396,891) | 5,769,719 |
| Net loss and comprehensive loss for the year | | | | | (2,946,365) | (2,946,365) |
| **Balance as at January 31, 2021** | | 67,684,334 | 47,551,328 | 4,615,282 | (49,343,256) | 2,823,354 |

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

# QUEBEC PRECIOUS METALS CORPORATION

(An exploration company)

## Statement of Cash Flows

Years ended January 31, 2022 and 2021

(in Canadian dollars)

| | January 31 2022 | January 31 2021 |
|---|---|---|
| | $ | $ |
| **Operating activities:** | | |
| Net loss | (3,809,359) | (2,946,365) |
| Adjustments for: | | |
| Income tax recovery | (117,468) | (1,591,920) |
| Depreciation of property and equipment | 3,421 | 2,430 |
| Share-based compensation | 247,917 | 404,585 |
| Government grant | (27,484) | - |
| Finance expense | 2,683 | - |
| Change in fair value of marketable securities | 21,544 | (286,796) |
| Gain on disposal of mining projects | (75,000) | (1,898,000) |
| Gain on disposal of net smelter return (NSR) | (2,000,000) | - |
| Operating activities before changes in working capital items | (5,753,746) | (6,316,066) |
| Change in other receivables | 1,236 | 46,400 |
| Change in taxes receivable | (226,004) | 103,506 |
| Change in prepaid expenses | (46,560) | (29,593) |
| Change in deposits related to exploration and evaluation activities | 46,000 | 494,302 |
| Change in tax credits related to resources receivable | (1,048,591) | 560,890 |
| Change in mining tax credits receivable | (132,595) | 59,764 |
| Change in trade accounts payable and accrued liabilities | 846,733 | (350,792) |
| Change in working capital items | (559,781) | 884,477 |
| **Cash flows used for operating activities** | (6,313,527) | (5,431,589) |
| **Financing activities:** | | |
| Proceeds from private placement | 3,250,399 | - |
| Proceeds from share options exercised | - | 77,500 |
| Decrease (increase) in restricted cash | 1,125,000 | (1,125,000) |
| Proceeds from a loan | 60,000 | - |
| Share issuance costs | (252,691) | - |
| **Cash flows from (used for) financing activities** | 4,182,708 | (1,047,500) |
| **Investing activities:** | | |
| Proceeds from disposal of marketable securities | 455,617 | 79,019 |
| Proceeds from disposal of investments | - | 3,600,000 |
| Option payments received | 75,000 | 1,525,000 |
| Payment received on disposal of net smelter return (NSR) | 2,000,000 | - |
| Acquisition of equipment | - | (6,437) |
| **Cash flows from investing activities** | 2,530,617 | 5,197,582 |
| **Net change in cash and cash equivalents** | 399,798 | (1,281,507) |
| **Cash and cash equivalents, beginning of year** | 1,178,991 | 2,460,498 |
| **Cash and cash equivalents, end of year** | 1,578,789 | 1,178,991 |

Additional disclosures of cash flow information (Note 15).

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

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

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 the TSX.V Stock Exchange under the symbol QPM, on the American Stock Exchange OTCQB Market under the symbol CJCFF and on the Frankfurt exchange under the symbol YXEN. 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. There was no material impact on the Company's operations at the date of these financial statements identified by management.

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 year ended January 31, 2022, the Company recorded a net loss of $3,809,359 ($2,946,365 for the year ended January 31, 2021) and has an accumulated deficit of $53,152,615 as at January 31, 2022 ($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 January 31, 2022, the Company had a working capital (current assets in excess of current liabilities) of $2,386,281 (a working capital of $2,814,683 as at January 31, 2021) including cash and cash equivalents of $1,578,789 ($1,178,991 in cash and cash equivalents 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 other than to the sales of non-core assets. 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 or reclassification of assets and liabilities, 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 annual financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to the preparation of annual financial statements. The accounting policies applied in these financial statements are based on IFRS issued and in effect as at year end.

#### 2.2 Basis of measurement:

The financial statements have been prepared on the historical cost basis except for:

- investments which are measured at fair value; and
- share-based compensation transactions, which are measured at fair value at grant date pursuant to IFRS 2, Share-Based payment.

#### 2.3 Functional and presentation currency:

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

**2. Basis of preparation (continued):**

**2.4 Use of estimates and judgements:**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting year. Significant areas requiring the use of management estimates relate to determining the recoverability of tax credits receivable, and the variables used in the determination of the fair value of share purchase options granted and warrants issued. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

The key areas of judgment applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Going concern;

  The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenses, meet its liabilities for the ensuing year, to fund exploration and evaluation expenditures involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

**3. Significant accounting policies:**

The financial statements have been prepared using accounting policies set out by IFRS effective at the end of the year for submission of financial information. The significant accounting policies used in preparing these financial statements are summarized below.

**3.1 Cash and cash equivalents:**

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash equivalent are financial instruments readily convertible to a known amount of cash and not subject to a significant risk of changes in value. Cash equivalents include instruments with a maturity of three months or less from the date of acquisition and instruments with an original term longer than three months if there is no significant penalty for withdrawal within a three-month period from the date of acquisition.

**3.2 Property and equipment:**

Property and equipment are accounted for at cost less any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Amortization of property and equipment is calculated to distribute property and equipment cost, less their residual value, over their useful life, according to the following straight-line method at the following annual period:

| Asset | Period |
|---|---|
| Computer equipment | 3 years |
| Furniture and office equipment | 5 years |

The Company allocates the amount initially recognized in respect of an item of property 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 and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recorded in the statement of loss and comprehensive loss.

**3.3 Share-based compensation:**

The Company accounts for share-based compensation over the vesting period of the share options. Share purchase options granted to employees, directors and consultants, and the cost of services received are evaluated and recognized on fair value basis using the Black-Scholes option pricing model.

For transactions with parties other than employees, the Company measures the goods or services received and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. When the Company cannot estimate reliably the fair value of the goods or services received, it measures their fair value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Share-based payments (except brokers and intermediaries' options) are ultimately recognized as an expense in the statement of loss and comprehensive loss 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.

**3. Significant accounting policies (continued):**

**3.3 Share-based compensation (continued):**

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.

**3.4 Share capital and warrants:**

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 project, shares are measured at fair value based on stock price on the day of the conclusion of the agreement.

**3.5 Flow-through shares:**

The Federal and Provincial tax legislation permits an entity to issue securities to investors whereby the deductions for tax purposes relating to resource expenditures may be claimed by the investors and not by the entity. These securities are referred to as flow-through shares. The Company finances a portion of its exploration programs with flow-through shares.

At the time of the issuance of flow-through shares, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as a liability related to flow-through shares. The Company estimates the fair value of the liabilities related to flow-through shares using the residual method, deducting the quoted price of the common shares from the price of the flow-through shares at the date of the financing.

The liability related to flow through shares 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.

**3.6 Deferred share unit:**

The Deferred Share Unit Plan ("DSU Plan") provides for the payment of directors, officers, employees and consultants ("beneficiaries") compensation with deferred share units ("DSUs"). Each DSU is a right granted by the Company to an eligible beneficiary to receive an equivalent to the value of one common share on termination of service. DSU compensation are ultimately recognized as an expense in the consolidated statements of comprehensive income (loss) as deferred share unit expense. The DSUs can be settled either in cash or equity upon vesting at the discretion of the Company. The Company intends to settle all DSUs in equity. The number of DSUs to be granted under the DSU Plan is determined by dividing the beneficiaries' compensation by the volume-weighted average price of the Common Shares on the Exchange for the five trading days immediately preceding the last business day of the fiscal quarter. The Company recognizes compensation expenses related to the granting of DSU's at fair value.

**3.7 Exploration and evaluation expenditures:**

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. Exploration and evaluation expenditures and costs incurred before the legal right to undertake exploration and evaluation activities are recognized in the statement of loss and comprehensive loss when they are incurred.

**3.8 Government grants:**

The Company's government grants reflect compensation received from government related to the COVID-19 support. Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as other income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset. Government loans are analyzed to determine whether they qualify as grants or are required to be treated as financial liabilities.

**3.9 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. However, other non-refundable consideration received directly from the acquirer is recognized as proceeds relating to the grant of options on mining projects in the statement of loss and comprehensive loss when the ownership of the rights are transferred to the acquirer.

**3. Significant accounting policies (continued):**

**3.10 Basic and diluted loss per share:**

The basic loss per share is calculated using the weighted average number of shares outstanding during the year. The diluted loss per share, which is calculated with the treasury method, is equal to the basic loss per share due to the antidilutive effect of share purchase options and warrants.

**3.11 Tax credits receivable:**

The Company is eligible for a refundable credit on mining duties under the Québec Mining Duties Act. This refundable credit on mining duties is equal to 16% applicable on 50% of the eligible expenses. The accounting treatment for refundable credits on mining duties depends on management's intention to either go into production in the future or to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property.

In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, *Income Taxes* , which generates a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no tax basis following the Company's election to claim the refundable credit.

In the second case, it is expected that no mining duties will be paid in the future and, accordingly, the credit on mining duties is recorded against exploration and evaluation expenses.

The Company records the credit on mining duties against exploration and evaluation expenses.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources can represent up to 38.75% for eligible expenses incurred thereafter, and is recorded as a government grant against exploration and evaluation assets.

The credits related to resources and credits for mining duties recognized against exploration and evaluation expenditures are recorded when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant.

**3.12 Financial instruments:**

**(a) 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 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.

**(b) Classification and initial valuation of financial assets:**

Financial assets and financial liabilities are classified into one of the following categories:

| Category | Financial instrument |
|---|---|
| Financial assets at amortized cost | • Cash and cash equivalents<br>• Restricted cash<br>• Other receivables |
| Financial assets at fair value through profit or los | • Marketable securities |
| Financial liabilities at amortized cost | • Trade accounts payable and other liabilities<br>• Loan |

**(c) Subsequent valuation of financial assets:**

i) 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, restricted cash and other receivables fall into this category of financial instruments.

**3. Significant accounting policies (continued):**

**3.12 Financial instruments (continued):**

**(c) Subsequent valuation of financial assets (continued):**

ii) Financial assets at fair value through profit or loss (FVTPL):

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. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where financial assets and financial liabilities measured at fair value though profit or loss have a quoted price in an active market at the reporting date, the fair value is based on this price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from a stock exchange and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

Securities traded on stock exchanges are stated at market price based on the closing price on the relevant valuation day.

The marketable securities fall into this category of financial assets.

**3.13 Impairment of financial assets:**

The impairment provisions in IFRS 9 use forward-looking information, the expected credit loss model.

The recognition of credit losses is 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.

**3.14 Classification and measurement of financial liabilities:**

The Company's financial liabilities include trade accounts payable and other liabilities and loan.

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.

**3.15 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 statement of financial position.

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 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 the statement of loss and comprehensive 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.

**3.16 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.

**3.17 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.

(in Canadian dollars)

## 3. Significant accounting policies (continued):

### 3.18 New standards and interpretations that are not yet effective and have not been adopted:

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

## 4. Cash and cash equivalents:

| | January 31 2022 | January 31 2021 |
|---|---|---|
| | $ | $ |
| Cash | 1,578,789 | 1,095,991 |
| Cash equivalents [1] | | |
| GIC expiring on April 20, 2021 at a rate of 1.90% | - | 83,000 |
| | 1,578,789 | 1,178,991 |

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

## 5. Restricted cash:

| | January 31 2022 | 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).

## 6. Marketable securities:

| | Number of shares | | | | Carrying value | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | January 31 2021 | Acquisition | Disposition | January 31 2022 | January 31 2021 | Acquisition | Disposition | Change in fair value | January 31 2022 |
| | | | | | $ | $ | $ | $ | $ |
| **Shares** | | | | | | | | | |
| LMR [1] | 1,750,000 | - | (1,750,000) | - | 205,000 | - | (310,283) | 105,283 | - |
| UGM [2] | 431,000 | - | (431,000) | - | 112,060 | - | (119,530) | 7,470 | - |
| NICO [3] | 181,089 | - | (35,000) | 146,089 | 177,467 | - | (25,804) | (109,297) | 42,366 |
| FEX [4] | 1,000,000 | - | - | 1,000,000 | 120,000 | - | - | (25,000) | 95,000 |
| | 3,362,089 | - | (2,216,000) | 1,146,089 | 614,527 | - | (455,617) | (21,544) | 137,366 |

| | Number of shares | | | | Carrying value | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | January 31 2020 | Acquisition | Disposition | January 31 2021 | January 31 2020 | Warrants exercised | Disposition | Change in fair value | January 31 2021 |
| | | | | | $ | $ | $ | $ | $ |
| **Shares** | | | | | | | | | |
| LMR [1] | 750,000 | 1,000,000 [5] | - | 1,750,000 | 33,750 | 45,000 [5] | - | 126,250 | 205,000 |
| UGM [2] | - | 800,000 [6] | (369,000) | 431,000 | - | 108,000 [6] | (79,019) | 83,079 | 112,060 |
| NICO [3] | - | 181,089 [7] | - | 181,089 | - | 125,000 [7] | - | 52,467 | 177,467 |
| FEX [4] | - | 1,000,000 [8] | - | 1,000,000 | - | 95,000 [8] | - | 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"

(in Canadian dollars)

## 6. Marketable securities (continued):

(5) 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).

(6) 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 Troïlus option agreement).

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

(8) 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).

## 7. Property and equipment:

| | Computer equipment | Office furniture | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Cost** | | | |
| As at January 31, 2020 | 1,247 | 4,482 | 5,729 |
| Acquisitions | 6,437 | - | 6,437 |
| As at January 31, 2021 | 7,684 | 4,482 | 12,166 |
| Acquisitions | - | - | - |
| As at January 31, 2022 | 7,684 | 4,482 | 12,166 |
| **Accumulated depreciation** | | | |
| As at January 31, 2020 | 336 | 729 | 1,065 |
| Depreciation | 1,523 | 907 | 2,430 |
| As at January 31, 2021 | 1,859 | 1,636 | 3,495 |
| Depreciation | 2,519 | 902 | 3,421 |
| As at January 31, 2022 | 4,378 | 2,538 | 6,916 |
| **Net book value** | | | |
| As at January 31, 2021 | 5,825 | 2,846 | 8,671 |
| As at January 31, 2022 | 3,306 | 1,944 | 5,250 |

## 8. Other liabilities related to flow-through shares:

| | January 31 2022 | January 31 2021 |
|---|---|---|
| | $ | $ |
| Other liabilities related to flow-through shares: | | |
| Increase of the year | - | - |
| Decrease related to the incurring of eligible expenses | (117,468) | (1,591,920) |
| | (117,468) | (1,591,920) |
| **Balance, beginning of year** | 117,468 | 1,709,388 |
| **Balance, end of year** | - | 117,468 |

Other liabilities related to flow-through shares represent the renunciation of tax deductions to investors following flow-through shares 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. As at January 31, 2022, the Company has fulfilled its obligation by incurring an amount of $5,623,903 in exploration and evaluation expenditures before December 31, 2021.

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.

## 9. 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 (extended to December 31, 2023 on January 12, 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 fair value of the loan was calculated to be $32,516 and the government assistance recognized in the statement of loss and comprehensive loss was $27,484 which included the loan forgiveness of $20,000. During the year ended January 31, 2022, an interest expense of $2,683 was recorded in the statement of loss and comprehensive loss ($Nil for the year ended January 31, 2021).

## 10. 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 $2,439,788 after deducting share issuance costs of $194,611 including a commission of $73,736. 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' options have been recorded at a value of $32,596 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (d)). Total share issuance costs amounted to $227,207 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 $537,994 after deducting share issuance costs of $56,006 including a commission of $47,520. 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' options have been recorded at a value of $14,810 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (d)). Total share issuance costs amounted to $70,816 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 $19,926 after deducting share issuance costs of $2,074 including a commission of $1,760. 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' options have been recorded at a value of $596 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (d)). Total share issuance costs amounted to $2,670 including the fair value of the brokers and intermediaries' options of $596.

## 11. Share purchase options 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.

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.

(in Canadian dollars)

**11. Share purchase options and warrants (continued):**

**(a) Share purchase options (continued):**

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

| | | January 31 2022 | | 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 [1] |
| Forfeited | (1,245,000) | 0.30 | (325,000) | 0.36 |
| Expired | (50,000) | 0.35 | (1,125,000) | 0.61 |
| Outstanding at end | 5,005,385 | 0.37 | 4,525,385 | 0.39 |
| Exercisable at end | 4,038,719 | 0.39 | 4,042,052 | 0.39 |

(1) When the share purchase options were exercised, the market share price of the Company was $0.255.

The following table provides outstanding share options information as at January 31, 2022:

| | | | Outstanding share options | |
|---|---|---|---|---|
| **Expiry date** | **Number of granted share options** | **Number of exercisable share options** | **Exercise price** | **Remaining life** |
| | | | **$** | **(years)** |
| February 17, 2022 | 75,000 | 75,000 | 0.28 | - |
| May 4, 2022 | 240,385 | 240,385 | 0.624 | 0.3 |
| February 19, 2023 | 50,000 | 50,000 | 0.29 | 1.1 |
| February 25, 2023 | 200,000 | 200,000 | 0.29 | 1.1 |
| December 12, 2023 | 920,000 | 920,000 | 0.61 | 1.9 |
| June 20, 2024 | 300,000 | 300,000 | 0.34 | 2.4 |
| July 11, 2024 | 900,000 | 900,000 | 0.35 | 2.4 |
| February 17, 2025 | 585,000 | 585,000 | 0.28 | 3.0 |
| July 24, 2025 | 50,000 | 50,000 | 0.27 | 3.5 |
| October 26, 2025 | 235,000 | 235,000 | 0.23 | 3.7 |
| February 19, 2026 | 1,150,000 | 383,334 | 0.29 | 4.1 |
| June 11, 2026 | 300,000 | 100,000 | 0.30 | 4.4 |
| | 5,005,385 | 4,038,719 | 0.37 | 2.8 |

The options outstanding at January 31, 2021 had an exercise price in the range of $0.190 to $0.624 and a weighted-average contractual life of 3.0 years.

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

| | January 31 2022 | January 31 2021 |
|---|---|---|
| | **$** | **$** |
| Weighted average fair value of options granted | $0.16 | $0.16 |

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

| | January 31 2022 | 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 vesting period | 1.72 years | 0 years |
| Weighted average expected life | 4.6 years | 3.6 years |

(in Canadian dollars)

### 11. Share purchase options and warrants (continued):

#### (a) Share purchase options (continued):

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 $247,917 of share-based compensation were accounted in the statement of loss and comprehensive loss for the year ended January 31, 2022 ($404,585 for the year ended January 31, 2021) and credited to contributed surplus. As at January 31, 2022, an amount of $56,519 ($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.

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

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

| | January 31 2022 | January 31 2021 |
|---|---|---|
| | Number of outstanding DSU | Number of outstanding DSU |
| Outstanding at beginning | - | - |
| Granted | 502,033 | - |
| Cancelled | (168,543) | - |
| Outstanding at end | 333,490 | - |

The DSUs are payable in common shares of the Company and/or cash upon the holder ceasing to be a director, an officer, an employee or a consultant of the Company, as the case may be. These DSUs with a fair value of $96,712 were issued in lieu of a bonus payable of $96,712 which has been recognized in the statement of loss and comprehensive loss 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.

#### (c) Warrants:

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

| | | January 31 2022 | | 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:

| | | January 31 2022 | | January 31 2021 |
|---|---|---|---|---|
| | Number of outstanding brokers and intermediaries' options | Weighted average exercise price | Number of outstanding brokers and intermediaries' options | Weighted average exercise price |
| | | $ | | $ |
| Outstanding at beginning | 1,210,863 | 0.30 | 1,210,863 | 0.30 |
| Granted | 655,164 | 0.30 | - | - |
| Expired | (1,210,863) | 0.30 | - | - |
| Outstanding at end | 655,164 | 0.30 | 1,210,863 | 0.30 |

(in Canadian dollars)

**11. Share purchase options and warrants (continued):**

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

The following table provides outstanding brokers and intermediaries' options information as at January 31, 2022:

| | Outstanding brokers and intermediaries' options | | |
|---|---|---|---|
| **Expiry date** | **Number of outstanding brokers and intermediaries' options** | **Exercise price** | **Remaining life** |
| | | **$** | **(years)** |
| May 3, 2023 | 431,164 | 0.30 | 1.3 |
| May 5, 2023 | 216,000 | 0.30 | 1.3 |
| May 18, 2023 | 8,000 | 0.30 | 1.3 |
| | 655,164 | 0.30 | 1.3 |

The brokers and intermediaries' options at January 31, 2021 had an exercise price of $0.30 and a contractual life of 0.8 years.

Fair value of options granted to brokers and intermediaries was estimated using the Black-Scholes model with the following weighted average assumptions:

| | January 31 2022 | 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 | - |

The underlying expected volatility was determined by reference to historical data of the Company’s shares over the expected average life of the brokers and intermediaries’ options.

**12. Exploration and evaluation activities:**

Exploration and evaluation expenditures by nature are detailed as follows:

| | January 31 2022 | January 31 2021 |
|---|---|---|
| | $ | $ |
| **Exploration and evaluation activities:** | | |
| Assays | 189,266 | 338,842 |
| Drilling | 2,836,117 | 3,011,851 |
| Geophysical and electromagnetic survey | 166,018 | - |
| Reporting | 10,533 | 495,195 |
| Airborne geophysical survey | - | 185,773 |
| Line cutting | 202,432 | 22,906 |
| Resource estimate | 58,948 | - |
| Geology and geophysics | 899,723 | 405,085 |
| Geochemistry | 56,548 | 662 |
| Metallurgy | 113,179 | 2,086 |
| Prospecting | 150,564 | 200,729 |
| Other evaluation and exploration expenses | 136,767 | 49,847 |
| Rebilling | - | (13,095) |
| Tax credit related to resources and mining tax credits | (1,339,145) | (11,167) |
| | 3,480,950 | 4,688,714 |

(in Canadian dollars)

**12. Exploration and evaluation activities (continued):**

Exploration and evaluation expenditures per project can be detailed as follows:

| | January 31 2022 | January 31 2021 |
|---|---|---|
| | $ | $ |
| **Projects:** | | |
| Blanche-Charles | 14,407 | - |
| Cheechoo-Éléonore trend | 18,312 | - |
| Elmer East | 134,774 | 1,006,296 |
| La Loutre | - | 1,455 |
| Sakami | 3,313,457 | 3,657,205 |
| Somanike | - | 23,758 |
| | 3,480,950 | 4,688,714 |

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

| | | | January 31 2022 | | | January 31 2021 |
|---|---|---|---|---|---|---|
| | Cash payments | Issuance of shares | Total | Cash payments | Issuance of shares | Total |
| | $ | $ | $ | $ | $ | $ |
| **Projects:** | | | | | | |
| Chemin Troïlus | - | - | - | 100,000 | 108,000 | 208,000 |
| La Loutre | - | - | - | 1,125,000 | 45,000 | 1,170,000 |
| Tansim | - | - | - | 250,000 | - | 250,000 |
| Somanike | 75,000 | - | 75,000 | - | 125,000 | 125,000 |
| Vulcain | - | - | - | 50,000 | 95,000 | 145,000 |
| | 75,000 | - | 75,000 | 1,525,000 | 373,000 | 1,898,000 |

Gain on disposal of net smelter return (NSR) can be detailed as follows:

| | | | January 31 2022 | | | January 31 2021 |
|---|---|---|---|---|---|---|
| | Cash payments | Issuance of shares | Total | Cash payments | Issuance of shares | Total |
| | $ | $ | $ | $ | $ | $ |
| **Projects:** | | | | | | |
| Tansim | 2,000,000 | - | 2,000,000 | - | - | - |
| | 2,000,000 | - | 2,000,000 | - | - | - |

**Sakami:**

The Sakami project is wholly-owned by the Company, consists of one large contiguous block of 281 mineral claims (142.50 $km^2$) 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 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 year ended January 31, 2022, 22 claims have been transferred from Cheechoo-Éléonore Trend project for no consideration as this was an intercompany transfer.

**Cheechoo-Éléonore Trend:**

The Cheechoo-Éléonore Trend project is wholly-owned by the Company and consists of 128 claims (66.26 $km^2$). The southeastern end of the project lies about 24 km northwest of the Éléonore mine, with a road access 14 km away. During the year ended January 31, 2022, 22 claims have been transferred to Sakami project and 401 claims have been abandoned.

**Elmer East:**

The Elmer East project is wholly-owned by the Company and consists of 929 claims (488 $km^2$). 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 $km^2$). The western part of the Elmer East project is contiguous to Azimut's project.

(in Canadian dollars)

**12. Exploration and evaluation activities (continued):**

**Blanche-Charles:**

The Blanche-Charles project is wholly-owned by the Company and consists of 317 claims (162.07 km$^2$). It is located approximately 120 km northeast of the Eleonore mine.

**Non-core assets:**

**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 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.

On August 9, 2021, the Company entered into an agreement with Vital Metals Limited ("Vital") for the acquisition by Vital of the Company's 68% interest in the Kipawa rare earth project and 100% of the Zeus Rare Earth project in Quebec, Canada, for $8 million, subject to certain closing conditions. On February 4, 2022, the Company amended the agreement with Vital and the transaction is now expected to close by September 30, 2022.

The cash payment schedule is as follows:

| | Cash payments |
|---|---|
| | $ |
| Upon signature | 1,000,000 (1) |
| On the closing date (2) | 1,500,000 |
| On or before February 9, 2023 | 2,500,000 |
| On or before February 9, 2024 | 1,000,000 |
| On or before February 9, 2025 | 1,000,000 |
| On or before February 9, 2026 | 1,000,000 |
| | 8,000,000 |

(1) A cash payment of $150,000 was received in Trust by the Company's legal counsel in August 2021 and $850,000 was received in Trust by the Company's legal counsel in February 2022 .

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

**Vulcain:**

The Vulcain project consists of 68 claims (40.05 km$^2$) 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:

| | 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 km$^2$ held in the Matheson Joint Venture project (“Matheson Project”), located 24 km from downtown Timmins, Ontario.

(in Canadian dollars)

**12. Exploration and evaluation activities (continued):**

**Non-core assets (continued):**

**New Gold:**

The New Gold project is wholly-owned by the Company and consists of 9 claims (4.76 $km^2$) after it abandonned 40 claims during the year ended January 31, 2022. It lies about 30 km southwest of the old Eastmain gold mine.

**Chemin Troïlus (no longer held):**

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 January 31, 2022, UrbanGold held 100% of the Chemin Troïlus project.

**La Loutre (no longer held):**

The La Loutre project consists of one contiguous block of 48 claims (28.67 $km^2$) 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 Metals Inc. ("Lomiko") held 80% of the project. On April 16, 2020, the Company and 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.

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 had 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 was presented in restricted cash in the statement of financial position of the Company (Note 5). As at January 31, 2022, the Company fulfilled its obligation by incurring $1,125,000 of exploration and evaluation expenditures.

As at January 31, 2022, Lomiko held 100% of the project.

**Somanike (no longer held):**

On August 20, 2018, the Company signed an agreement with Vanicom Resources Limited ("Vanicom") (Amended on March 20, 2019, September 18, 2019, May 7, 2020 and June 2, 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.

(in Canadian dollars)

**12. Exploration and evaluation activities (continued):**

**Non-core assets (continued):**

**Somanike (no longer held) (continued):**

As at January 31, 2022, Class 1 held 100% of the project.

**Tansim (no longer held):**

The Tansim project consisted of 65 claims (37.66 $km^2$) 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 be redeemed for $60,000.

On October 15, 2021, the Company received a $2,000,000 payment in connection with the sale of a 2% NSR royalty on all payable metals from the mining rights of the Tansim project to Lithium Royalty Corporation (“LRC”).

As at January 31, 2022, Sayona Québec Inc. held 100% of the project.

**13. Income taxes:**

**(a) Relationship between expected tax expense and accounting profit or loss:**

The effective income tax rate of the Company differs from the combined federal and provincial income tax rate in Canada. This difference results from the following items:

| | January 31 2022 | January 31 2021 |
|---|---|---|
| | $ | $ |
| Loss before income taxes | (3,926,827) | (4,538,285) |
| Expected tax expense calculated using the combined federal and provincial income tax rate in Canada | 26.50% | 26.50% |
| Expected income tax recovery | (1,040,609) | (1,202,646) |
| Variation of non-taxable fair value | 2,855 | (34,131) |
| Changes in unrecorded temporary differences | 594,892 | (75,089) |
| Tax effect on flow-through shares | 411,591 | 1,195,539 |
| Reversal of other liability related to flow-through shares | (117,468) | (1,591,920) |
| Share-based compensation | 65,698 | 107,215 |
| Other non-deductible expenses | (34,427) | 9,112 |
| **Income tax recovery** | (117,468) | (1,591,920) |

**(b) Movement in deferred tax balances during the year:**

| | January 31 2021 | Recognized in profit or loss | Recognized in equity | Recognized in OCL | January 31 2022 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Marketable securities | (651) | 651 | - | - | - |
| Capital tax losses | 651 | (651) | - | - | - |
| | - | - | - | - | - |

| | January 31 2020 | Recognized in profit or loss | Recognized in equity | Recognized in OCL | January 31 2021 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Marketable securities | - | (651) | - | - | (651) |
| Capital tax losses | - | 651 | - | - | 651 |
| | - | - | - | - | - |

(in Canadian dollars)

### 13. Income taxes (continued):

#### (b) Movement in deferred tax balances during the year (continued):

The Company has the following temporary differences for which no deferred tax asset has been recognized:

| | | January 31 2022 | | January 31 2021 |
|---|---|---|---|---|
| | Federal | Québec | Federal | Québec |
| | | | | $ |
| Exploration and evaluation expenditures | 17,288,433 | 17,288,433 | 17,484,517 | 17,582,352 |
| Property, plant and equipment | 14,163 | 14,163 | 10,742 | 10,742 |
| Marketable securities | 58,475 | 58,475 | - | - |
| Share issuance costs | 340,251 | 340,251 | 589,312 | 589,312 |
| Non-capital losses carry forwards | 17,223,490 | 16,875,326 | 14,503,118 | 14,159,769 |
| Capital tax losses | 2,208,423 | 2,208,423 | 2,245,927 | 2,244,606 |
| Intangible and others | 56,700 | 52,731 | 56,700 | 52,731 |
| | 37,189,935 | 36,837,802 | 34,890,316 | 34,639,512 |

The Company has tax credits to investment of $1,626 ($1,626 in 2020) which are not recognized. These credits can be used to reduce taxes payable to federal and expire in 2034.

#### (c) Non-capital losses:

As at January 31, 2022, the non-capital losses expire as follows:

| | Federal | Québec |
|---|---|---|
| | $ | $ |
| 2026 | 393,267 | 393,267 |
| 2027 | 726,178 | 726,178 |
| 2028 | 2,188,973 | 2,188,973 |
| 2029 | 474,760 | 474,760 |
| 2030 | 241,509 | 241,509 |
| 2031 | 305,421 | 305,421 |
| 2032 | 884,872 | 884,872 |
| 2033 | 680,136 | 684,105 |
| 2034 | 682,338 | 682,338 |
| 2035 | 591,241 | 589,533 |
| 2036 | 1,179,455 | 847,147 |
| 2037 | 719,249 | 718,770 |
| 2038 | 894,646 | 894,647 |
| 2039 | 1,310,919 | 1,305,436 |
| 2040 | 1,415,065 | 1,409,666 |
| 2041 | 1,893,806 | 1,891,864 |
| 2042 | 2,641,655 | 2,636,840 |
| | 17,223,490 | 16,875,326 |

### 14. 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 11.

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 years ended January 31, 2022 and 2021.

(in Canadian dollars)

**15. Supplemental cash flow information:**

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

| | January 31 2022 | January 31 2021 |
|---|---|---|
| | $ | $ |
| Non-cash financing activities: | | |
| Brokers and intermediaries' options issued as a finder's fee | 48,002 | - |
| Non-cash investing activities: | | |
| Marketable securities received on optioning of mining projects | - | 373,000 |

**16. 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:

| | January 31 2022 | January 31 2021 |
|---|---|---|
| | $ | $ |
| Management and consulting fees | 60,000 | 16,613 |
| Salaries and director's fees | 866,085 | 774,404 |
| Share-based compensation | 194,842 | 261,631 |
| | 1,120,927 | 1,052,648 |

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 of the Company (resigned on May 4, 2021) is a shareholder. An amount of $310,848 was payable to Consul-Teck Exploration Minière Inc. as at January 31, 2022 ($144,954 as at January 31, 2021). The following table provides a summary of the expenses incurred from Consul-Teck Exploration Minière Inc:

| | January 31 2022 | January 31 2021 |
|---|---|---|
| | $ | $ |
| Exploration and evaluation expenditures | 607,880 | 2,026,816 |
| Professional and consultant fees | - | 8,320 |
| General administrative expenses | - | 14,312 |
| | 607,880 | 2,049,448 |

The former 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.

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.

**17. 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.

(in Canadian dollars)

## 18. 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:

| | | January 31 2022 | | January 31 2021 |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | $ | $ | $ | $ |
| **Financial assets** | | | | |
| Fair value through profit or loss (FVTPL) | | | | |
| Marketable securities - Equities | 137,366 | 137,366 | 614,527 | 614,527 |
| | 137,366 | 137,366 | 614,527 | 614,527 |
| **Financial assets** | | | | |
| Amortized cost | | | | |
| Cash and cash equivalents | 1,578,789 | 1,578,789 | 1,178,991 | 1,178,991 |
| Restricted cash | - | - | 1,125,000 | 1,125,000 |
| Other receivables | - | - | 1,236 | 1,236 |
| | 1,578,789 | 1,578,789 | 2,305,227 | 2,305,227 |
| **Financial liabilities** | | | | |
| Amortized cost | | | | |
| Trade accounts payable and other liabilities | 1,118,121 | 1,118,121 | 368,100 | 368,100 |
| Loan | 35,199 | 35,199 | - | - |
| | 1,153,320 | 1,153,320 | 368,100 | 368,100 |

The fair values of the marketable securities totalize $137,366 as at January 31, 2022 ($614,527 as at January 31, 2021) and are determined by using the closing price at January 31, 2022 and January 31, 2021.

The fair value of the loan is $35,199 as at January 31, 2022 ($Nil as at January 31, 2021) 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, 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.

The following 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:

- 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.

## 19. Capital management policies and procedures:

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

| | January 31 2022 | January 31 2021 |
|---|---|---|
| | **$** | **$** |
| Equity | 2,356,332 | 2,823,354 |
| | 2,356,332 | 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.

(in Canadian dollars)

**19. Capital management policies and procedures (continued):**

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.

**20. 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 $1,578,789 as at January 31, 2022 ($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.

In previous years, 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 January 31, 2022 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:

| | | | | **January 31 2022** |
|---|---|---|---|---|
| | **Less than 1 year** | **1-5 years** | **More than 5 years** | **$ Total** |
| | $ | $ | $ | $ |
| Trade accounts payable and other liabilities | 1,118,121 | - | - | 1,118,121 |
| 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 147.81% has been observed during the year ended January 31, 2022 (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 $203,467 as at January 31, 2022 (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 $137,366 at January 31, 2022 ($614,527 as at January 31, 2021).

**20. Financial instrument risks (continued):**

**(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.

**21. Subsequent events:**

On March 15, 2022, the Company granted 835,000 share options to directors, officers, employee and consultants at an exercise price of $0.17 per share expiring on March 15, 2027. Each share option entitles the holder to acquire one common share. The share options vest gradually over a period of twenty-four (24) months following the date of grant as follows: one third at the date of grant, one-third at the first anniversary of the date of grant, and one-third at the second anniversary of the date of grant. The share options granted to one of the consultants are exercisable for a two-year period and vest immediately.

On February 4, 2022, the Company amended the binding term sheet agreement with Vital for the acquisition by Vital of the Company's 68% interest in the Kipawa rare earth project and 100% of the Zeus rare earth project in Quebec, Canada. The transaction is expected to close by September 30, 2022 (See Note 12).