# Cartier Resources Inc.

(an exploration company)

***Financial statements***

***Years ended December 31, 2021 and December 31, 2020***

**KPMG LLP**
600 de Maisonneuve Blvd. West
Suite 1500, Tour KPMG
Montréal (Québec) H3A 0A3
Canada

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cartier Resources Inc.

## *Opinion*

We have audited the financial statements of Cartier Resources Inc. (the "Entity"), which comprise:

- the statements of financial position as at December 31, 2021 and 2020;
- 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 the 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 December 31, 2021 and 2020, 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 yet been generated 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 business.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

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, other than the financial statements and the auditors' report thereon, 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, other than the financial statements and the auditors' report thereon included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions. 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 IFRS, 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

April 20, 2022

*CPA auditeur, CA, permis de comptabilité publique nº A131804

# Cartier Resources Inc.
(an exploration company)
## Statements of Financial Position

| (In Canadian $) | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| **Assets** | | |
| **Current** | | |
| Cash and cash equivalents (note 3) | **6,200,786** | 13,271,206 |
| Other short-term financial assets (note 4) | **80,500** | - |
| Receivables (note 5) | **124,307** | 970,486 |
| Prepaid expenses | **66,928** | 138,560 |
| | **6,472,521** | 14,380,252 |
| **Non-current** | | |
| Property, plant and equipment | **6,171** | 5,651 |
| Right-of-use assets (note 6) | **74,840** | 111,840 |
| Mining assets and deferred exploration costs (note 7) | **26,748,469** | 19,258,870 |
| **TOTAL ASSETS** | **33,302,001** | 33,756,613 |
| **Liabilities** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **211,934** | 314,287 |
| Current portion of lease obligations (note 8) | **39,416** | 44,458 |
| Liability related to flow-through shares (note 16) | **813,787** | 2,940,057 |
| | **1,065,137** | 3,298,802 |
| **Non-current** | | |
| Lease obligations (note 8) | **40,573** | 72,692 |
| Loan (note 9) | **40,000** | 40,000 |
| Deferred income and mining taxes (note 15) | **3,405,657** | 2,339,568 |
| **TOTAL LIABILITIES** | **4,551,367** | 5,751,062 |
| **EQUITY** | | |
| Share capital (note 10) | **43,928,692** | 43,304,392 |
| Warrants | **-** | 75,004 |
| Contributed surplus | **3,592,816** | 3,129,088 |
| Deficit | **(18,822,947)** | (18,607,506) |
| Accumulated other comprehensive loss | **52,073** | 104,573 |
| **TOTAL EQUITY** | **28,750,634** | 28,005,551 |
| **TOTAL LIABILITIES AND EQUITY** | **33,302,001** | 33,756,613 |

**Basis of preparation and going concern** (note 1)
**Contingencies and commitments** (note 16)
**Subsequent event** (note 19)

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

Approved on behalf of the Board of Directors

(Signed) Philippe Cloutier, Director (Signed) Daniel Massé, Director

## Cartier Resources Inc.

(an exploration company)

# Statements of changes in equity

**Years ended December 31**

(In Canadian $)

| | Number of shares | Share capital | Warrants | Contributed surplus | Deficit | Accumulated other comprehensive (loss) | Total equity |
|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | $ |
| **BALANCE AS AT DECEMBER 31, 2020** | **215,883,962** | **43,304,392** | **75,004** | **3,129,088** | **(18,607,506)** | **104,573** | **28,005,551** |
| **Net loss for the year** | **-** | **-** | **-** | **-** | **(290,445)** | **-** | **(290,445)** |
| **Change in fair value of other short-term financial assets** | **-** | **-** | **-** | **-** | **-** | **(52,500)** | **(52,500)** |
| **Total comprehensive loss** | **-** | **-** | **-** | **-** | **(290,445)** | **(52,500)** | **(342,945)** |
| **Issuance of shares net of issue costs (note 10)** | **1,261,431** | **400,000** | **-** | **-** | **-** | **-** | **400,000** |
| **Effect of share-based payments (note 10)** | **-** | **-** | **-** | **563,028** | **-** | **-** | **563,028** |
| **Issuance of options (note 10)** | **1,000,000** | **224,300** | **-** | **(99,300)** | **-** | **-** | **125,000** |
| **Expired warrants (note 10)** | **-** | **-** | **(75,004)** | **-** | **75,004** | **-** | **-** |
| **BALANCE AS AT DECEMBER 31, 2021** | **218,145,393** | **43,928,692** | **-** | **3,592,816** | **(18,822,947)** | **52,073** | **28,750,634** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **BALANCE AS AT DECEMBER 31, 2019** | 191,630,762 | 37,203,150 | - | 2,888,116 | (17,755,275) | 21,725 | 22,357,716 |
| Net loss for the year | - | - | - | - | (852,231) | - | (852,231) |
| Change in fair value of other short-term financial assets | - | - | - | - | - | 82,848 | 82,848 |
| **Total comprehensive loss** | - | - | - | - | (852,231) | 82,848 | (769,383) |
| Issuance of shares net of issue costs (note 10) | 21,778,200 | 5,682,029 | - | - | - | - | 5,682,029 |
| Effect of share-based payments (note 10) | - | - | - | 398,935 | - | - | 398,935 |
| Issuance of options (note 10) | 2,475,000 | 419,213 | | (157,963) | - | - | 261,250 |
| Issuance of warrants (note 10) | - | - | 75,004 | - | - | - | 75,004 |
| **BALANCE AS AT DECEMBER 31, 2020** | 215,883,962 | 43,304,392 | 75,004 | 3,129,088 | (18,607,506) | 104,573 | 28,005,551 |

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

## Cartier Resources Inc.

(an exploration company)

## Statements of loss and comprehensive loss

**Years ended December 31**

(In Canadian $)

| | **2021** | 2020 |
|---|---|---|
| | **$** | $ |
| **Administrative expenses** | | |
| Salaries | **449,456** | 469,942 |
| Consultants | **6,133** | 3,884 |
| Share-based payments-employees (note 10) | **414,079** | 290,452 |
| Share-based payments-consultants (note 10) | **27,495** | 20,925 |
| Professional fees | **95,093** | 80,390 |
| Business development expenditures (analysts and brokers) | **166,481** | 154,694 |
| Road shows and gold shows | **14,893** | 24,429 |
| Investor relations | **80,136** | 139,982 |
| Insurance, taxes and permits | **21,545** | 18,631 |
| Depreciation of property, plant and equipment | **660** | 604 |
| Depreciation of right-of-use assets | **19,668** | 19,668 |
| Office supplies | **27,720** | 24,690 |
| Telecommunications | **8,682** | 8,826 |
| Training and travel | **17,196** | 12,855 |
| Advertising and sponsoring | **12,970** | 7,002 |
| Information to shareholder | **39,779** | 36,722 |
| | **1,401,986** | 1,313,696 |
| **Other expenses (income)** | | |
| Sale of a written-off property option (note 7 (a)) | **(52,000)** | - |
| Other exploration costs | **21,003** | 7,186 |
| Financial expenses (note 12) | **18,212** | 17,701 |
| Interest income and other income | **(38,575)** | (93,890) |
| **Loss before deferred income and mining taxes** | **(1,350,626)** | (1,244,693) |
| **Deferred income and mining taxes (note 15)** | **(1,060,181)** | (392,462) |
| **Net loss for the year attributable to shareholders** | **(290,445)** | (852,231) |
| Change in fair value of other short-term financial assets | **(52,500)** | 82,848 |
| **Comprehensive loss for the period attributable to shareholders** | **(342,945)** | **(769,383)** |
| **Loss per share basic and diluted** | **(0.00)** | (0.03) |
| **Weighted average number of common shares outstanding basic and diluted** | **217,420,126** | 200,931,252 |

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

## Cartier Resources Inc.
(an exploration company)
### Statements of Cash Flows
**Years ended December 31**
(In Canadian $)

| | 2021 | 2020 |
|---|---|---|
| | $ | $ |
| **OPERATING ACTIVITIES** | | |
| Net Loss | **(290,445)** | (852,231) |
| Adjustments for: | | |
| Deferred income and mining taxes | **(1,060,181)** | (392,462) |
| Share-based payments-employees (note 10) | **414,079** | 290,452 |
| Share-based payments-consultants (note 10) | **27,495** | 20,925 |
| Gain linked to an interest-free loan | **-** | (20,000) |
| Write-down and write-off of mining assets and deferred exploration costs | **(52,000)** | - |
| Interests on lease obligations | **979** | 1,389 |
| Depreciation of property, plant and equipment | **660** | 604 |
| Depreciation of right-of-use assets | **19,668** | 19,668 |
| Interest paid on lease obligations capitalized as mining assets and deferred exploration costs | **(2,670)** | (3,831) |
| Interest income | **(38,575)** | (73,890) |
| Interest paid | **(979)** | (1,389) |
| Interest received | **37,518** | 73,278 |
| | **(944,451)** | (937,487) |
| Net change in non-cash working capital items | | |
| Receivables | **(8,263)** | 21,488 |
| Prepaid expenses | **71,632** | (102,725) |
| Accounts payables and accrued liabilities | **24,560** | 24,898 |
| Cash flows used in operating activities | **(856,522)** | (993,826) |
| **FINANCING ACTIVITIES** | | |
| Shares issue | **-** | 9,364,626 |
| Shares issue expenses | **-** | (674,246) |
| Loan (note 9) | **-** | 60,000 |
| Exercise of options | **125,000** | 261,250 |
| Payments on lease obligations | **(37,161)** | (39,694) |
| Cash flows from financing activities | **87,839** | 8,971,936 |
| **INVESTING ACTIVITIES** | | |
| Disposal of other short-term financial assets | **-** | 111,486 |
| Disposal of property's option (note 7) | **210,000** | - |
| Acquisition of property, plant and equipment | **(2,840)** | (2,030) |
| Tax credits received | **882,997** | 637,143 |
| Acquisition of mining assets and deferred exploration costs | **(7,391,894)** | (3,123,670) |
| Cash flows used in investing activities | **(6,301,737)** | (2,377,071) |
| **Net change in cash and cash equivalents** | **(7,070,420)** | 5,601,039 |
| **Cash and cash equivalents at the beginning of the year** | **13,271,206** | 7,670,167 |
| **Cash and cash equivalents at the end of the year** (note 3) | **6,200,786** | 13,271,206 |

**Additional information** (note 13)

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

## Incorporation and Nature of Operations

Cartier Resources Inc. (the "Company"), initially incorporated under Part 1 A of the Québec *Companies Act* on July 17, 2006, has been governed by the *Business Corporations Act* (Quebec) since February 14, 2011. The Company's head office is located at 1740, chemin Sullivan, Suite 1000, Val-d'Or, Québec. Its activities primaily include the acquisition and exploration of mining properties in Canada.

The Company has not yet determined whether these properties contain economically recoverable ore reserves. Although, at the current stage of the exploration work, the Company is taking all industry standard measures to ensure that the mining property titles in which it has a financial interest are in good standing, these measures in place do not guarantee property titles to the Company. Property titles may be subject to prior unregistered agreements or non-compliance with regulatory requirements.

The recoverability of amounts reported for mining properties and deferred exploration expenses is dependent on the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and future profitable production, or the proceeds of the transfer of such property. At the date of the financial statements, the carrying value of mining properties and deferred exploration expenses represents, in management's opinion, the best estimate of their net recoverable value. This value could however be reduced in the future.

On April 20, 2022, the Company's Board of Directors approved these annual financial statements.

## 1. Basis of preparation and going concern

These financial statements have been prepared in accordance with International Financial Reporting Standards "IFRS".

These financial statements were prepared on a going concern basis, using historical costs method, except for "Other short-term financial assets" which are measured at fair value.

The financial statements have been prepared on a going concern basis, meaning that the Company will be able to realized its assets and discharge its commitments and liabilities in the normal course of operations. The Company's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in raising financing to date, there can be no assurance it will be able to do so in the future. The Company believes it has sufficient liquidity to meet its obligations for the next 12 months. The Company has not yet determined whether its properties contain economically recoverable ore reserves and has not yet generated revenues from operations. The recoverability of the amounts shown for mining properties is dependent upon the existence of economic ore reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and future profitable production or proceeds from the disposal of properties. The above conditions indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material.

## 2. Summary of accounting policies

### 2.1. Overall considerations

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

### 2.2. Post employment benefits and short-term employee benefits

The Company provides post employment benefits through a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays contributions, established according to a percentage of the employee’s salary, to an independent entity. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution during the employment period. Contributions paid under the defined contribution rules are recognized as an expense when employees have rendered the services entitling them to those services.

Short-term employee benefits, including vacation entitlement, are current liabilities included in "accounts payables and accrued liabilities", and are measured at the undiscounted amount that the Company expects to pay.

### 2.3. Share-based payments-employees and share-based payments-consultants

The Company has a share option purchase plan under which options to acquire the Company's common shares may be granted to its directors, officers, employees and consultants. The plan does not provide any options for a cash settlement.

Where employees are rewarded using share-based payments, the fair value is determined using the Black-Scholes pricing model at the date of grant. All share-based payments are recognized as an expense or in deferred exploration costs with a corresponding increase to "contributed surplus".

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. Estimates are subsequently revised at the end of each reporting period or 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 in prior periods if share options ultimately exercised are different from that estimated on vesting.

Upon exercise of share options, the proceeds received are credited to share capital. The fair value of each option is reversed from contributed surplus to share capital.

## 2. Summary of accounting policies (continued)

### 2.4. Mining assets and deferred exploration costs

The Company records its mining assets, including wholly-owned mining properties, undivided interests in mining properties and deferred exploration costs, at cost less certain recoveries.

Exploration costs are capitalized on the basis of each specific mining property or areas of geological interest until the mining assets to which they relate are placed into production, sold or allowed to lapse.

These costs will be amortized over the estimated useful life of the mining assets following commencement of production or written off if the mining assets or projects are sold or allowed to lapse.

General exploration costs not related to specific mining assets are expensed in the statement of loss as incurred.

The recoverability of the amounts recorded under mining assets and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing needed to complete development, and future profitable production or proceeds from the disposal of these properties. The amounts shown for mining properties and deferred exploration costs are not necessarily indicative of present or future values.

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

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

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

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

At present, no technical feasibility or commercial viability of extracting a mineral resource has been confirmed.

## 2. Summary of accounting policies (continued)

### 2.4. Exploration and evaluation expenditures and exploration and evaluation assets (continued)

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

*Disposal of interest in connection with option agreement*

On the disposal of interest in connection with an option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the considerations received directly from the acquirer are credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets or the sale of a written-off property option in profit or loss.

### 2.5. Credit on duties refundable and refundable tax credit for resources

The Company is entitled to a credit on duties refundable under the Mining Duties Act. This credit on duties refundable on exploration costs incurred in the Province of Quebec is recognized as a tax recovery on income. In accordance with IAS 12- *Income tax* , the credits on duties are applied against the deferred income taxes in the statement of financial position when the Company expects to continue holding the mining property once ready for production.

Furthermore, the Company is entitled to a refundable tax credit for resources for mining companies on qualified expenditures incurred. The refundable tax credit for resources may reach 28% of qualified expenditures incurred. In accordance with IAS 20- A*ccounting for government grants and disclosure of government assistance* , this tax credit is accounted against the qualified expenditures.

### 2.6. Income and mining taxes

The income and mining tax expense is composed of current and deferred taxes. Taxes are recognized in the statement of loss unless they relate to items carried in other comprehensive income or directly in shareholders' equity.

*Current income taxes and mining taxes*

Current income tax and mining tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods that are unpaid at the reporting date. The current income tax expense is based on the income for the period adjusted for non-taxable or non-deductible items. The mining tax expense is based on the income for the period for each mining site under production adjusted for non-taxable or non-deductible items. Calculation of current income tax and mining taxes is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Management regularly examines positions in tax returns where tax regulations are subject to interpretation.

*Deferred income taxes and deferred mining taxes*

Deferred income taxes is recognized in respect of temporary differences between the tax basis of the assets and liabilities and their carrying amount in the statement of financial position. Deferred income tax assets and liabilities are calculated, on an undiscounted basis, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

## 2. Summary of accounting policies (continued)

### 2.6. Income and mining taxes (continued)

*Deferred income taxes and mining taxes liabilities*

Deferred income taxes and mining taxes liabilities are generally recognized for all temporary taxable differences.

*Deferred income taxes and mining taxes assets*

Deferred income taxes and mining taxes assets are recognized to the extent that it is probable they will be able to be utilized against future taxable income.

Deferred income taxes and mining taxes assets are examined at the end of the reporting period and reduced when it is no longer probable that taxable income will be sufficient to recover some or all of the deferred tax assets.

Deferred income tax assets and liabilities are not recognized for temporary differences resulting from the initial recognition of assets and liabilities acquired other than in a business combination.

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

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

### 2.7. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to holders of common shares by the weighted average number of common shares outstanding during the period. The Company uses the treasury method to calculate the diluted net loss per share. The diluted net loss per share is calculated by adjusting earnings attributable to common shareholders, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. The calculation considers that share options and warrants have been converted into potential common shares at the average market value during the presentation period.

The warrants and stock options have been excluded from the calculation of the diluted weighted average number of common shares since the Company incurred a net loss and their effect would have been anti-dilutive.

## 2. Summary of accounting policies (continued)

### 2.8. Cash reserved for exploration

The Company raises flow-through funds for exploration under subscription agreements which require the Company to incur prescribed resource expenditures. These funds must be used for qualifying exploration expenditures for a pre-determined period. If the Company does not incur the resource expenditures, within a pre-determined timeframe, then it will be required to indemnify these shareholders for any tax and other costs payable by them.

### 2.9. Cash and cash equivalents

Cash and cash equivalents are comprised of cash, cash reserved for exploration and short-term investments with maturity dates of less than three months from the date of acquisition.

### 2.10. Impairment of long-lived assets

#### Non-financial assets

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment at the end of each reporting period or when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have expired or will expire in the near future and it is not expected that they will be renewed.
- No future substantive exploration expenditures are budgeted.
- No commercially viable quantities discovered and exploration and evaluation activities will be discontinued.
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use, that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The level identified by the Company for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

## 2. Summary of accounting policies (continued)

### 2.10. Impairment of long-lived assets (continued)

#### Non-financial assets (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### 2.11. Equity

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.

#### Unit placements

The proceeds of unit issuances are allocated to the shares and warrants by using the Black-Scholes model to calculate the fair value of warrants and the residual amount to the shares.

#### Flow-through financing

Canadian tax law allows a company to issue investment securities to investors for whom tax deductions for exploration expenses may be claimed by investors and not by the Company. These securities are called flow-through shares. The Company finances a portion of its exploration programs through the issuance of flow-through shares. On the issue date of the shares, the Company allocates the issue proceeds between the share capital and the obligation to remit tax deductions, which is recognized as a flow-through share liability. The Company estimates the fair value of the flow-through share liability using the residual method, deducting the market price of a common share at the price of a flow-through share on the closing date of the financing. A corporation may waive tax deductions based on what is known as the "general method" or the "retrospective method". When the waiver of tax deductions is made according to the general method, which the Company intends to make the waiver and capitalizes the expenses in the current year, then the Company records a deferred tax liability, with an expense of deferred tax. At this point, the obligation is reduced, with a tax recovery as a counterpart. When tax deductions are retrospectively waived, the Company records a deferred tax liability, with a deferred tax expense when the expenditures are made and capitalized. At this point, the obligation is reduced to zero, with a tax recovery as consideration. The Company uses the general method.

#### Warrants

Warrants are classified as equity as they are derivatives over the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments.

## 2. Summary of accounting policies (continued)

### 2.11. Equity (continued)

**Other components of equity**

Contributed surplus includes charges related to share options until such options are exercised.

The deficit includes all current and prior years' retained profits or losses.

### 2.12. Presentation and functional currency

The financial statements are presented in Canadian dollars, which is also the functionnal currency of the Company.

### 2.13. Financial instruments

*Classification and valuation of financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI); or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

## 2. Changes to accounting policies (continued)

### 2.13. Financial instruments (continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The Company made the irrevocable election to designate its investment in marketable securities as financial assets measured at FVOCI. As a result, changes in fair value will be recorded in other comprehensive income. When the financial asset will be derecognized, the accumulated gains and losses previously recognized in other comprehensive income will not be reclassified to net income as a reclassification adjustment.

*Classification and measurement of financial liabilities*

Financial liabilities are classified into the following categories:

A financial liability is subsequently measured at amortized cost using the effective interest rate method. The Company currently classifies its trade and other payables and its borrowings as financial liabilities measured at amortized cost.

Financial liabilities at fair value are initially measured at their fair value and are revalued at each closing date, any variation being recognized in net income.

The Company derecognizes a financial liability when its contractual obligations are discharged, canceled or expired.

Financial assets and financial liabilities are offset, and the net balance is presented in the statements of financial position, if and only if, the Company has an established right to offset the amounts recognized and if it intends either to settle the net amount, or realize the asset and settle the liability simultaneously.

The following table summarizes the classification of differents financial assets and liabilities.

| Asset/Liability | Classification under IFRS 9 |
|---|---|
| Cash and cash equivalents | Amortized cost |
| Other short-term financial assets | Fair value through other comprehensive income |
| Accounts payable and accrued liabilities | Amortized cost |
| Loan | Amortized cost |

### 2.14. Leases

When entering into a contract, the Company assesses whether the contract contains a lease contract.

The Company recognizes an asset for the right of use and a rental obligation at the start date of the rental. The right of use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted to take into account certain revaluations of the rental obligation. Right-of-use assets are depreciated on a straight-line basis over the term of the lease and are recognized between mining assets and deferred exploration costs and the statements of loss and comprehensive loss, depending on their use.

The rental obligation is initially measured at the present value of the rental payments that have not been paid by the commencement date, discounted using the interest rate implicit in the rental agreement or, if this rate cannot be readily determined, at the Company's marginal borrowing rate. Generally, the Company uses its marginal borrowing rate as the discount rate. The rental obligation is then increased by the interest charge on the rental obligation and decreased by the rental payments made. It is reassessed when there is a change in future lease payments resulting from a change in index or rate, a change in the estimate of the amount likely to be paid for a guarantee of residual value or, where appropriate, changes in the assessment to determine whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised .

The Company has chosen to apply the following optional exemptions available under IFRS 16: the exclusion of agreements with a term of 12 months or less or where the underlying asset is of low value, and the option not to separate the rental components of the non-rental components.

The Company has used its judgment to determine the term of the contract for certain leases for which an option to renew exists. The assessment of whether the Company is reasonably certain to exercise this option has an impact on the duration of the lease, which has a significant impact on the amount of the lease obligation and the right of ownership assets. use accounted for.

### 2.15. Accounting estimates and critical judgments

The preparation of financial statements requires management to make estimates, assumptions and judgments with respect to future events. These estimates and judgments are constantly challenged. They are based on past experience and other factors, in particular, forecasts of future events that are reasonable in the circumstances. The actual results are likely to differ from the estimates, assumptions and judgments made by management, and will seldom equal the estimated results.

The following paragraphs describe the most critical management assumptions in the recognition and measurement of assets, liabilities and expenses and the most critical management judgments in applying accounting policies.

(In Canadian $)

## 2. Changes to accounting policies (continued)

### 2.15. Accounting estimates and critical judgments (continued)

**Critical judgments:**

*Impairment of assets*
An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its recoverable value. Management reviews on a regular basis the impairment assessment of its mining assets. Each year, the Company conducts an annual review of the geological potential of all its claims with the objective of postponing the work on certain claims and abandoning any claims with a low discovery potential. All amounts incurred on abandoned claims are recorded in the statements of loss of the year (note 2.10).

*Income taxes and deferred mining taxes*
The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

## 3. Cash and cash equivalents

As at December 31, 2021 and 2020, cash and cash equivalents included an account bearing interest and an account without interest, as shown below:

| | **December 31, 2021** | | December 31, 2020 | |
|---|---|---|---|---|
| | $ | **Interest rate** | $ | Interest rate |
| Account bearing interest | **6,092,383** | **0.20%-0.60%** | 11,822,829 | 0.20%-1.85% |
| Account without interest | **108,403** | **-** | 1,448,377 | - |
| Total | **6,200,786** | | 13,271,206 | |

Cash and cash equivalents include $2,592,066 ($9,364,626 as at December 31, 2020) of funds to be incurred in eligible exploration expenses before December 31, 2022.

## 4. Other short-term financial assets

| | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| Marketable securities of a quoted mining exploration company, at fair value | **80,500** | - |

During the year ended on December 31, 2021, the Company received marketable securities of a quoted mining exploration company the following the sale of options on properties (see note 7). Moreover, the Company did not sold short-term financial assets (during the year ended on December 31, 2020, the Company sold the short-term financial assets it held for an amount of $111,486 generating a gain of $82,848).

(In Canadian $)

## 5. Receivables

| | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| Other receivable | **-** | 2,777 |
| Credit on mining rights refundable and refundable tax credit for resources | **28,276** | 883,775 |
| Commodity taxes | **96,031** | 83,934 |
| | **124,307** | 970,486 |

## 6. Right-of-use assets

| | Building | Automotive equipment | Other equipment | **Total** |
|---|---|---|---|---|
| | $ | $ | $ | **$** |
| Balance as at January 1, 2020 | 174,627 | 5,835 | 14,950 | **195,412** |
| Depreciation | (66,523) | (5,835) | (11,214) | **(83,572)** |
| Balance as at December 31, 2020 | 108,104 | - | 3,736 | **111,840** |
| Depreciation | (33,264) | - | (3,736) | **(37,000)** |
| **Balance as at December 31, 2021** | **74,840** | **-** | **-** | **74,840** |

(In Canadian $)

### 7. Mining assets and deferred exploration costs

| | Chimo Mine | Wilson [(b)] | Benoist | Fenton [(c)] | Total |
|---|---|---|---|---|---|
| *Ownership %* | 100% | 100% | 100% | 100% | |
| | $ | $ | $ | $ | $ |
| **Mining assets** | | | | | |
| Balance as at December 31, 2020 | 457,024 | 72,000 | 737,723 | 24,644 | 1,291,391 |
| Additions | - | - | - | 700,000 | 700,000 |
| **Balance as at December 31, 2021** | **457,024** | **72,000** | **737,723** | **724,644** | **1,991,391** |
| **Deferred exploration costs** | | | | | |
| Balance as at December 31, 2020 | 12,479,389 | 1,092,447 | 2,868,318 | 1,527,325 | 17,967,479 |
| **Additions** | | | | | |
| Geology | 90,130 | - | 171,052 | 74,651 | 335,833 |
| Drilling | 325 | - | 5,561,621 | 206 | 5,562,152 |
| Geochemistry | - | - | 280,359 | 15,088 | 295,447 |
| Exploration office expenses | 358 | - | 5,612 | - | 5,970 |
| Engineering | 144,959 | - | - | - | 144,959 |
| Geophysics | - | | 116,151 | 293,788 | 409,939 |
| Stipping | - | | - | 14,344 | 14,344 |
| Surveying and access roads | - | - | 20,468 | 74,146 | 94,614 |
| Core shack rental and maintenance | 199 | - | 3,112 | - | 3,311 |
| Duties, taxes and permits | 62,919 | 200 | 34,039 | 1,254 | 98,412 |
| Depreciation of exploration leasehold improvements | 100 | - | 1,560 | - | 1,660 |
| Depreciation of right-of-use assets | 1,040 | - | 16,292 | - | 17,332 |
| Interest on lease obligations | 160 | - | 2,510 | - | 2,670 |
| Share-based payments - employees (note 10) | 7,287 | - | 114,167 | - | 121,454 |
| Option sale on properties (note 7 (b)) | - | (291,000) | - | - | (291,000) |
| Total deferred exploration costs during the year | 307,477 | (290,800) | 6,326,943 | 473,477 | 6,817,097 |
| Tax credits | (1,074) | - | (26,424) | - | (27,498) |
| **Additions during the year** | 306,403 | (290,800) | 6,300,519 | 473,477 | 6,789,599 |
| **Total deferred exploration costs as at December 31, 2021** | **12,785,792** | **801,647** | **9,168,837** | **2,000,802** | **24,757,078** |
| **Total of mining assets and deferred exploration costs as at December 31, 2021** | **13,242,816** | **873,647** | **9,906,560** | **2,725,446** | **26,748,469** |

All mining properties held by the Company are located in northwestern Quebec.

The Company is subject to royalties on certain properties.

(In Canadian $)

### 7. Mining assets and deferred exploration costs

| | Chimo Mine | Wilson | Benoist | Fenton | Total |
|---|---|---|---|---|---|
| *Ownership %* | 100% | 100% | 100% | 50% | |
| | $ | $ | $ | $ | $ |
| **Mining assets** | | | | | |
| Balance as at December 31, 2020 and 2019 | 457,024 | 72,000 | 737,723 | 24,644 | 1,291,391 |
| **Deferred exploration costs** | | | | | |
| Balance as at December 31, 2019 | 10,550,684 | 1,092,447 | 2,391,967 | 1,526,180 | 15,561,278 |
| **Additions** | | | | | |
| Geology | 353,013 | - | 165,283 | 1,104 | 519,400 |
| Drilling | 1,798,694 | - | 216,932 | - | 2,015,626 |
| Geochemistry | 87,888 | - | 581 | - | 88,469 |
| Exploration office expenses | 4,720 | - | - | - | 4,720 |
| Engineering | 395,767 | - | - | - | 395,767 |
| Surveying and access roads | - | - | 102,547 | - | 102,547 |
| Core shack rental and maintenance | 3,406 | - | - | - | 3,406 |
| Duties, taxes and permits | 26,296 | - | 19,907 | 41 | 46,244 |
| Depreciation of exploration leasehold improvements | 2,295 | - | - | - | 2,295 |
| Depreciation of right-of-use assets | 21,853 | - | - | - | 21,853 |
| Interest on lease obligations | 3,831 | - | - | - | 3,831 |
| Share-based payments - employees (note 10) | 87,558 | - | - | - | 87,558 |
| | 2,785,321 | - | 505,250 | 1,145 | 3,291,716 |
| Tax credits | (856,616) | - | (28,899) | - | (885,515) |
| **Additions during the year** | 1,928,705 | - | 476,351 | 1,145 | 2,406,201 |
| **Total deferred exploration costs as at December 31, 2020** | **12,479,389** | **1,092,447** | **2,868,318** | **1,527,325** | **17,967,479** |
| **Total of mining assets and deferred exploration costs as at December 31, 2020** | **12,936,413** | **1,164,447** | **3,606,041** | **1,551,969** | **19,258,870** |

All mining properties held by the Company are located in northwestern Quebec.

The Company is subject to royalties on certain properties.

**7. Mining assets and deferred exploration costs**

(a) On May 12, 2021, an option agreement with Delta Resources Limited ("Delta") was signed, Delta has the option to acquire 100% of the interests of the Dollier property, located 30 km south of the municipality of Chibougamau . During the 4 years option period, Delta will have the exclusive right to acquire 100% interest by issuing the Company a total of 600,000 common shares of Delta and incurring expenses of at least $1,000,000 on the Dollier property.

Upon signing of the agreement, the Company received $10,000 in cash and 100,000 common shares of Delta with a fair value of $42,000. All the shares issued to the Company, within the framework of the agreement, will be subject to a statutory holding period of 4 months. In the event Delta acquires a 100% interest in the Dollier property, the Company will retain a production royalty of 2% NSR on the Dollier property, of which 1% will be redeemable for an amount of $2,000,000 and the other 1% will be redeemable, by Delta, for an amount of $15,000,000.

The property Dollier was written off during the year ended December 31, 2015 and the amount of $52,000 was recorded in Other income in the statements of loss and comprehensive loss.

(b) On April 26, 2021, an option agreement with Hawkmoon Resources Corporation ("Hawkmoon") was signed, Hawkmoon has the option to acquire 100% of the interests of the Wilson property, located 15 km east of the municipality of Lebel-sur-Quévillon . During the 5 years option period, Hawkmoon will have the exclusive right to acquire 100% interest by paying the Company an amount totaling $1,000,000 in cash, issuing to the Company a total of 5,000,000 common shares of Hawkmoon, incurring expenses of at least $6,000,000 and completing at least 24,000 m of diamond drilling on the Wilson property.

Upon signing of the agreement, the Company received an amount of $200,000 in cash and 700,000 common shares of Hawkmoon with a fair value of $91,000. The amount of $291,000 has been recorded as a reduction of the cost of the asset. All the shares issued to the Company, within the framework of the agreement, will be subject to a statutory holding period of 4 months. In the event Hawkmoon earns a 100% interest in the Wilson property, the Company will retain a production royalty of 2% NSR on the Wilson property, of which 1% will be redeemable for an amount of $4,000,000.

(c) On April 13, 2021, the Company acquired from SOQUEM Inc. ("SOQUEM") all of SOQUEM's rights and interests (i.e., 50%) in a group of 14 mining claims located 50 km southwest of Chapais in consideration of $700,000 payable as follows: (a) an amount of $300,000 in cash and (b) the issuance of 1,261,431 common shares of the Company with a fair value of $400,000.

In addition, SOQUEM transferred to the Company all of its rights and interests in a group of contiguous claims, thereby allowing the Company to hold 100% of the Fenton Property. In exchange, the Company granted SOQUEM a 1% net smelter return ("NSR") royalty on the property (the "Fenton Royalty"), which can be bought back at any time by the Company for an amount of $1,000,000. The Company has a right of first refusal with respect to any future disposition to a third party by SOQUEM of the Fenton Royalty, subject to certain exceptions.

In addition, as part of this transaction, the Company has agreed to transfer to SOQUEM all of its rights and interests in a group of 39 claims comprising the Cadillac Extension Property. SOQUEM granted the Company a 1% NSR royalty on the property (the "Cadillac Extension Royalty"), which may be bought back at any time by SOQUEM for a consideration of $1,000,000. SOQUEM has a right of first refusal with respect to any future disposition to a third party by the Company of the Cadillac Extension Royalty, subject to certain exceptions. The Cadillac Extension Property was written off during the year ended December 31, 2018.

(In Canadian $)

## 8. Lease obligations

| Lease obligations included in the statement of financial position | **December 31, 2021** | December 31, 2,020 |
|---|---|---|
| | **$** | $ |
| Balance at the beginning of the year | **117,150** | 156,844 |
| Interests | **3,649** | 5,220 |
| Payments | **(40,810)** | (44,914) |
| Balance at the end of the year | **79,989** | 117,150 |
| Current portion of lease obligations | **(39,416)** | (44,458) |
| **Lease obligations** | **40,573** | 72,692 |

Maturity analysis – contractual undiscounted cash flows

| | | |
|---|---|---|
| Less than one year | 37,080 | 40,810 |
| One to five years | 46,350 | 83,430 |
| **Total undiscounted lease obligations** | **83,430** | 124,240 |

## 9. Loan

Loan of $60,000 from the Canadian Small Business Emergency Account, interest free, repayable by December 31, 2023 with 33.33% write-off of the loan, up to $20,000, conditional on repaying the loan at maturity by the Company. The Company recognized a gain related to this loan of $20,000 during the year ended December 31, 2020, because it considers reasonable that the conditions required to recognize the gain will be met. This gain has been presented in interest income and other income in the statement of loss and comprehensive loss.

## 10. Share capital

Authorized
Unlimited number of common shares, without par value, voting and participating

| | **December 31, 2021** | | December 31, 2020 | |
|---|---|---|---|---|
| | **Number** | **Amount** | Number | Amount |
| | | **$** | | $ |
| **Balance, beginning of the year** | **215,883,962** | **43,304,392** | 191,630,762 | 37,203,150 |
| Shares issued and paid | | | | |
| Exercise of options (a) | **1,000,000** | **224,300** | 2,475,000 | 419,213 |
| Acquisition of properties (Note 7(c)) | **1,261,431** | **400,000** | - | - |
| Flow-through private placements (b) | **-** | **-** | 21,778,200 | 9,289,622 |
| Renouncement of tax deductions on flow-through shares (b) | **-** | **-** | - | (2,940,057) |
| | **2,261,431** | **624,300** | 24,253,200 | 6,768,778 |
| Share issue expenses (b) | **-** | **-** | - | (667,536) |
| **Balance, at end of the year** | **218,145,393** | **43,928,692** | 215,883,962 | 43,304,392 |

(In Canadian $)

### 10. Share capital (continued)

(a) In 2021, the Company issued 1,000,000 common shares at a price of $0.125 per share, for total proceeds of $125,000 following the exercise of the options. The fair value of the common shares under the options ranged from $0.27 to $0.30 at the time of exercise. During the year ended December 31, 2020, the Company issued 1,300,000 common shares at a price of $0.10 per share, 950,000 common shares at a price of $0.105 per share and 225,000 common shares at a price of $0.14 per share, for total proceeds of $261,250 following the exercise of options. The fair value of the common shares under the options ranged from $0.165 to $0.25 per share.

(b) Issuance of flow-through shares on August 11, 2020

On August 11, 2020, the Company completed a private placement through a broker. The Company issued 21,778,200 flow-through shares at a price of $0.43 per share for total gross proceeds of $9,364,626. In connection with the offering, the agent received a cash fee equal to 6% of the gross proceeds of the offering and broker warrants, equal to 6% of the number of shares sold pursuant. Each broker warrant shall entitle the holder there of to acquire one common share at a price of $0.43 for a period of 12 months following the closing date. The financing is presented net of the value of the broker warrants amounting to $75,004. Share issue expenses totalling $742,540 were applied against the share capital.

The Company also renounced the tax deduction related to the flow-through shares, which reduced share capital by $2,940,057, and the consideration is presented as a liability related to flow-through shares.

#### Share Option Plan

The Company has a share option plan that has been approved by the shareholders. The maximum number of common shares which may be reserved under the plan is limited to 10% of the number of common shares issued and outstanding (on a non-diluted basis). The options granted to any optionnee cannot exceed 5% of the issued and outstanding common shares. The options are vested over a period of 12 months and are exercisable over a maximum of five years.

The following table summarizes the information about the outstanding share options:

| | **December 31, 2021** | | December 31, 2020 | |
|---|---|---|---|---|
| | **Number** | **Weighted average xercise price** | Number | Weighted average exercise price |
| | | **$** | | $ |
| **Outstanding - Beginning** | **16,350,000** | **0.18** | 14,600,000 | 0.16 |
| Granted-employees | **1,850,000** | **0.31** | 4,300,000 | 0.23 |
| Granted-consultants | **200,000** | **0.31** | - | 0.00 |
| Exercised | **(1,000,000)** | **0.13** | (2,475,000) | 0.11 |
| Expired | **(1,000,000)** | **0.18** | (75,000) | 0.14 |
| **Outstanding - End of the year** | **16,400,000** | **0.20** | 16,350,000 | 0.18 |
| **Exercisable - End of the year** | **15,375,000** | **0.20** | 13,150,000 | 0.17 |

(In Canadian $)

## 10. Share capital (continued)

The following table summarizes certain information for share options outstanding and exercisable:

| | Outstanding options December 31, 2020 | | | Exercisable options December 31, 2020 | | |
|---|---|---|---|---|---|---|
| Exercise price | **Number of options** | **Weighted average remaining life** | **Weighted average exercise price** | **Number of options** | **Weighted average remaining life** | **Weighted average exercise price** |
| | | **(years)** | **$** | | **(years)** | **$** |
| $0.10 to $0.20 | **8,175,000** | **1.92** | **0.15** | **8,175,000** | **1.92** | **0.15** |
| $0.21 to $0.31 | **8,225,000** | **3.12** | **0.26** | **7,200,000** | **2.94** | **0.25** |
| $0.10 to $0.31 | **16,400,000** | **2.53** | **0.20** | **15,375,000** | **2.40** | **0.20** |

The weighted average fair value of share options granted was estimated using the Black-Scholes model at $0.16 per option ($0.14 in 2020) using the following assumptions:

| | **2021** | 2020 |
|---|---|---|
| Risk-free interest rate | **0.75%** | 0.37% |
| Expected volatility | **63%** | 77% |
| Dividend yield | **Nil** | Nil |
| Weighted average expected life | **5 years** | 5 years |

During the year ended December 31, 2021, the share-based payment expense was $563,028 (2020 - $398,935). An amount of $441,574 (2020 - $311,377) was presented in the statement of loss and an amount of $121,454 ($87,558 in 2020) was presented in mining assets and deferred exploration costs.

**Warrants**

The following table presents the changes that occurred during the year:

| | **December 31, 2021** | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | **Number** | **Weighted average exercise price** | **Weighted average remaining contractual life** | Number | Weighted average exercise price | Weighted average remaining contractual life |
| | | **$** | **(years)** | | $ | (years) |
| **Outstanding - Beginning** | **1,306,692** | **0.43** | **0.61** | - | - | - |
| Granted-agent compensation options [(1)] | **-** | **-** | **-** | 1,306,692 | 0.43 | 0.81 |
| Expired | **(1,306,692)** | **0.43** | **-** | - | - | - |
| **Outstanding - End** | **-** | **-** | **-** | 1,306,692 | 0.43 | 0.61 |
| **Exercisable - End** | **-** | **-** | **-** | 1,306,692 | 0.43 | 0.61 |

[(1)] At issuance, the warrants are subject to a 4 month and 1 day statutory hold period. These warrants have a maximum term of 12 months following their date of issue.

(In Canadian $)

## 10. Share capital (continued)

The weighted average fair value of warrants granted during the year 2020, was estimated on the grant date using the Black-Scholes option-pricing model at $0.06 per warrant using the following assumptions:

| | **2020** |
|---|---|
| Risk-free interest rate | **0.23%** |
| Expected volatility | **81%** |
| Dividend yield | **nil** |
| Weighted average expected life | **1 year** |

## 11. Employee remuneration

| Employee benefits recognized are detailed below: | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| Salaries and fees | **640,764** | 682,720 |
| Fringe benefits | **50,614** | 52,841 |
| Share-based payments-employees | **535,533** | 378,010 |
| Defined contribution pension plan | **36,559** | 34,866 |
| | **1,263,470** | 1,148,437 |
| Less: salaries and share-based payments-employees capitalized in exploration and evaluation assets | **(388,048)** | (375,861) |
| Employee benefits | **875,422** | 772,576 |

Employee benefits expense is allocated to the following items:

| | | |
|---|---|---|
| Salaries | **449,456** | 469,942 |
| Share-based payments-employees | **414,079** | 290,452 |
| Road shows and gold shows | **8,843** | 8,843 |
| Training and travel | **3,044** | 3,339 |
| | **875,422** | 772,576 |

## 12. Financial expenses

| | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| Interest and bank charges | **17,233** | 16,312 |
| Interests on lease obligations | **979** | 1,389 |
| Total of financial expenses | **18,212** | 17,701 |

(In Canadian $)

## 13. Cash flows

| Additional information | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| **Items not affecting cash and cash equivalents related to operating, financing and investing activities** | | |
| Shares issued for the acquisition of mining properties | **400,000** | |
| Variation of share issue expenses included in accounts payable and accrued liabilities | **-** | (6,710) |
| Variation of deferred exploration costs included in accounts payable and accrued liabilities | **(126,913)** | 54,557 |

## 14. Financial Instruments

### Objectives and policies in managing financial risks

The Company is exposed to various financial risks resulting from its operations and investing activities. The directors and officers of the Company manage these risks.

The Company does not enter into speculative derivative financial instruments.

### Financial risks

The following paragraphs describe the main financial risks to which the Company is exposed and its risk management policies.

### Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash equivalents bear interest at a fixed rate. In relation to these, the Company is exposed to a limited extent to a change in fair value, because they are redeemable at any time or because the Company plans to use them in the short term for its operations. The Company's exposure to cash flow risk related to the interest rate of its loan is limited, since it does not bear interest.

### Liquidity risks

The Company establishes cash forecasts to ensure it has the necessary funds to fulfill its obligations. Obtaining additional funds makes it possible for the Company to continue its operations, and while it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

(In Canadian $)

**14. Financial Instruments (continued)**

**Liquidity risk analysis**

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

Over the year, the Company has financed its exploration expense commitments, its working capital requirements and acquisitions through private and flow-through financings.

All financial liabilities mature in less than 12 months, upon exercise of the loan which matures on December 31, 2023.

**Sensitivity to credit risk**

The Company's exposure to credit risk is limited to the carrying value of its financial assets at the date of presentation of the financial information as disclose below:

| | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| Cash and cash equivalents | **6,200,786** | 13,271,206 |

None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk for cash and cash equivalents and cash reserved for exploration is considered negligible, since the counterparties are reputable financial institutions with high quality external credit ratings.

**Fair value of financial instruments**

The Company discloses the fair value hierarchy by which the financial instruments are evaluated and assigned to the following levels. Level 1 features a valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 includes inputs for the asset or liability that are not based on observable market data. Marketable securities of a quoted mining exploration company are classified under Level 1.

The carrying amount of cash and cash equivalents, cash reserved for exploration, accounts payables and accrued liabilities approximate fair value based on the close date.

The carrying amount of the non-current liability, which includes the loan, approximates its fair value because market conditions have not changed significantly between the date of the transactions and December 31, 2020.

(In Canadian $)

### 15. Deferred income and mining taxes

The reconciliation of the income tax expense, calculated using the statutory income tax rates of the federal government and the Province of Quebec, to the income tax expense as per the financial statements, is as follows:

| | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| Loss before income and mining taxes | **(1,350,626)** | (1,244,693) |
| Recovery of combined federal and provincial income tax at 26.5% (26.5% as at December 31, 2020) | **(357,916)** | (329,844) |
| Deferred taxes related to exploration and evaluation assets funded by flow-through shares | **2,618,206** | 608,138 |
| Non-deductible expenses for income tax purposes | **118,616** | 83,791 |
| Share issue expenses not affecting earnings | **-** | (176,897) |
| Change in unrecognised tax benefits | **(1,279,962)** | 146,915 |
| Adjustment from previous years | **(1,365)** | 21,943 |
| Permanent portion of capital loss | **(13,913)** | 37,566 |
| Other | **(17,577)** | (21,718) |
| | **1,066,089** | 369,894 |
| Mining taxes | **-** | 1,133 |
| Flow-through premium | **(2,126,270)** | (763,489) |
| Deferred income and mining taxes | **(1,060,181)** | (392,462) |

The Company has accumulated, for federal and provincial income tax purposes, non-capital losses which can be applied against future years' taxable income and which will expire as follows:

| | **December 31, 2021** | | December 31, 2020 | |
|---|---|---|---|---|
| **Year** | Federal | Provincial | Federal | Provincial |
| | **$** | **$** | $ | $ |
| 2025 | 8,387 | 7,530 | 8,387 | 7,530 |
| 2026 | 5,699 | 4,765 | 5,699 | 4,765 |
| 2027 | 524,066 | 521,001 | 524,066 | 521,001 |
| 2028 | 725,416 | 718,518 | 725,416 | 718,518 |
| 2029 | 724,776 | 720,746 | 724,776 | 720,746 |
| 2030 | 955,459 | 952,206 | 955,459 | 952,206 |
| 2031 | 792,271 | 777,709 | 792,271 | 777,709 |
| 2032 | 1,114,872 | 1,100,591 | 1,114,872 | 1,100,591 |
| 2033 | 865,813 | 842,225 | 865,813 | 842,225 |
| 2034 | 808,358 | 800,904 | 808,358 | 800,904 |
| 2035 | 697,789 | 694,214 | 697,789 | 694,214 |
| 2036 | 584,553 | 580,931 | 584,553 | 580,931 |
| 2037 | 1,557,695 | 1,557,695 | 1,557,695 | 1,557,695 |
| 2038 | 1,337,806 | 1,337,806 | 1,337,806 | 1,337,806 |
| 2039 | 1,226,535 | 1,226,535 | 1,226,535 | 1,226,535 |
| 2040 | 1,451,483 | 1,451,483 | 1,449,076 | 1,449,076 |
| 2041 | 1,445,577 | 1,445,577 | - | - |
| | **14,826,555** | **14,740,436** | 13,378,571 | 13,292,452 |

(In Canadian $)

## 15. Deferred income and mining taxes (continued)

**Deferred tax asset unrecognized**

Deferred tax assets have not been recognized as it is not probable that future taxable profits will be available and against which unused tax losses and unused tax credits could be charged. Deferred tax assets have not been recognized in respect of:

| | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| Non-capital losses | **883,668** | 2,126,064 |
| Capital losses | **-** | 37,566 |
| | **883,668** | 2,163,630 |

Deferred tax assets related to share issue costs in the amount of $133,784 ($267,902 as at December 31, 2020) have been recognized.

**Significant components of the Company's deferred tax assets and liabilities are as follows:**

| | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| Property, plant and equipment | **57,058** | 56,443 |
| Right-of-use assets | **1,364** | 1,407 |
| Non-capital losses | **3,035,465** | 1,409,354 |
| Financial assets at fair value | **44,523** | - |
| Share issue cost | **133,784** | 267,902 |
| Deferred tax assets | **3,272,194** | 1,735,106 |
| Mining assets and deferred exploration expenses | **(6,677,851)** | (4,074,674) |
| Deferred tax liabilities | **(3,405,657)** | (2,339,568) |

**Change in deferred tax**

| | Balance December 31, 2020 | Recognized in profit or (loss) | **Balance December 31, 2021** |
|---|---|---|---|
| | $ | $ | **$** |
| Property, plant and equipment | 56,443 | 615 | **57,058** |
| Right-of-use assets | 1,407 | (43) | **1,364** |
| Deferred exploration costs | (4,074,674) | (2,603,177) | **(6,677,851)** |
| Share issue cost | - | 44,523 | **44,523** |
| Non-capital losses | 1,677,256 | 1,491,993 | **3,169,249** |
| Total | (2,339,568) | (1,066,089) | **(3,405,657)** |

(In Canadian $)

## 15. Deferred income and mining taxes (continued)

**Change in deferred tax**

| | Balance December 31, 2019 | Recognized in profit or (loss) | Balance December 31, 2020 |
|---|---|---|---|
| | $ | $ | $ |
| Property, plant and equipment | 55,675 | 768 | 56,443 |
| Right-of-use assets | 923 | 484 | 1,407 |
| Deferred exploration costs | (3,440,950) | (633,724) | (4,074,674) |
| Non-capital losses | 1,414,678 | 262,578 | 1,677,256 |
| Total | (1,969,674) | (369,894) | (2,339,568) |

## 16. Contingencies and commitments

The Company is partially financed through the issuance of flow-through shares. However, there is no guarantee that its 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 would have a negative tax impact for investors. Moreover, tax rules regarding flow-through placements set deadlines for carrying out the exploration work no later than the first of the following dates:

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

If the Company does not incur eligible exploration expenditures it will be required to indemnify the holders of such shares against all taxes and other expenses incurred as a result of the Company not incurring the required exploration expenses.

During the year ended December 31, 2021, the Company did not received any amount from flow-through financings ($9,364,626 as of December 31, 2020) . From flow-through financings received in 2020, an amount of $6,772,560 was used for deferred exploration costs as at December 31, 2021 ($nil as of December 31, 2020).

The Company renounced tax deductions related to flow-through financings and a liability related to flow-through shares issued in 2020, totaling $2,940,057 was recorded as liability related to flow-through shares at the time of issuance (see note 10). Management was required to incur eligible exploration expenditures before December 31, 2022. As at December 31, 2021, the flow-through share liability was $813,787 ($2,940,057 as of December 31, 2020).

(In Canadian $)

## 17. Transactions with key management personnel

The Company's key management personnel are members of the Board of Directors, the president, the vice-president and chief financial officer. The remuneration of key management personnel includes the following expenses:

| | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| Short-term employee benefits | | |
| Salaries and fees including bonuses and benefits | **542,402** | 571,924 |
| Social security costs and contributions to the pension plan | **64,812** | 71,271 |
| Total short-term employee benefits | **607,214** | 643,195 |
| Share-based payments-employees | **471,807** | 334,436 |
| Total remuneration | **1,079,021** | 977,631 |

During the year ended in 2021, the key management personnel exercised a total of 500,000 stock options granted through the share-based payment plans (1,050,000 share options in 2020).

## 18. Capital disclosures

The Company's objectives in managing its capital are to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

The Company's capital is composed of shareholders' equity. The Company's primary uses of capital are to finance exploration expenditures and acquire properties. To effectively manage the Company's capital requirements, the Company has in place a rigorous planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives.

The Company expects that its current capital resources and its ability to obtain additional financing will support further exploration and development of its mineral properties for the next 12 months.

The Company is not subject, with regards to external rules, to any requirements regarding its capital, unless the Company completes a flow-through financing for which the cash must be reserved for exploration. As of December 31, 2021, the Company has $2,592,066 cash reserved for exploration ($9,364,626 as of December 31, 2020).

## 19. Subsequent Event

Val-d'Or, April 7th, 2022, Cartier is pleased to announce the execution of a definitive share purchase agreement with O3 Mining Inc. ("O3 Mining") for the acquisition by Cartier of all of the issued and outstanding shares of Chalice Gold Mines (Quebec) Inc. ("Chalice Quebec"), a wholly-owned subsidiary of O3 Mining, which owns a 100% interest in the East Cadillac property contiguous with Cartier's Chimo Mine property in the Val-d'Or Gold Camp, Quebec, Canada.

The purchase price payable by Cartier to O3 Mining for the acquisition of Chalice Quebec is 46,273,265 common shares of Cartier, representing approximately 17.5% of the pro forma outstanding common shares of Cartier upon the completion of the Transaction.

Completion of the Transaction remains subject to certain closing conditions, including the final approval of the TSXV.