

Financial Statements of

YORBEAU RESOURCES INC.

Years ended December 31, 2021 and 2020

YORBEAU RESOURCES INC.

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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 Yorbeau Resources Inc.

Opinion

We have audited the accompanying financial statements of Yorbeau 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 cash flows for the years then ended
- the statements of changes in Shareholders' equity 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 Yorbeau Resources Inc. 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, has incurred losses and negative cash flows from its operations. Accordingly, the Entity depends on its ability to raise financing in order to discharge its liabilities in the normal course of business.

As stated in Note 1 in the financial statements, these events or conditions 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.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the **"Material Uncertainty Related to Going Concern"** section of the auditors' report, we have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

Evaluation of Indicators of Impairment for Exploration and Evaluation Assets

Description of the matter

We draw attention to Notes 4(a) and 8 of the financial statements. The Entity has mining properties and exploration and evaluation assets of \$3,846,708 and \$21,919,686, respectively. The carrying amounts of mining properties and exploration and evaluation assets are assessed by the Entity for impairment when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have expired or will expire in the near future
- No significant future exploration expenditures are foreseen
- No commercially viable quantities are discovered and exploration and evaluation activities will be discontinued
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

The Entity completes an evaluation at each reporting year of potential impairment indicators. If any such indicator exists, then the asset's recoverable amount is estimated.

Why the matter is a key audit matter

We identified the evaluation of indicators of impairment for mining properties and exploration and evaluation assets as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the mining properties and exploration and evaluation assets. This matter was of most significance due to the difficulties in evaluating the results of our audit procedures to assess the Entity's determination of whether the factors, individually and in the aggregate, resulted in indicators of impairment.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We assessed that the Entity's evaluation of potential impairment indicators was consistent with:

- Information included in the Entity's press releases
- Evidence obtained in other areas of the audit, including the results of exploration activities and any updates to estimates of mineral reserves and resources

- Information obtained from:
 - Reading internal communications to management and the Board of Directors
 - Inspecting publicly available information for changes in the price of applicable commodity prices.

We assessed the status of the Entity's rights to explore by discussing with management if any rights were not expected to be renewed and by inspecting government registries.

We considered the activities to date in each area to which the Entity has a right to explore by comparing the actual expenditures to the budgeted expenditures and available cash flow to meet these budgeted expenditures. We evaluated the Entity's ability to accurately budget the expenditures by comparing the Entity's prior year budgeted expenditures to the actual expenditures incurred.

We assessed if substantive expenditures on further exploration for the evaluation of mineral resources in each area that the Entity has a right to explore are planned or discontinued by inspecting budgeted expenditures.

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. 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.



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- 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.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditors' report is Peggy Gouskos.

A handwritten signature in black ink that reads 'KPMG LLP*'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Montréal, Canada

March 30, 2022

YORBEAU RESOURCES INC.

Statements of Financial Position

December 31, 2021 and 2020

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 1,886,476 | \$ 1,467,916 |
| Tax credits and other receivables (note 5) | 26,294 | 88,891 |
| Prepaid expenses | 62,507 | 74,051 |
| | <u>1,975,277</u> | <u>1,630,858</u> |
| Non-current assets: | | |
| In-trust deposits (note 6) | 339,000 | 303,000 |
| Right-of-use assets (note 21) | 34,251 | 26,051 |
| Chibougamau building (note 7) | 198,515 | 209,471 |
| Mining properties (note 8) | 3,846,708 | 3,810,708 |
| Exploration and evaluation assets (notes 8 and 22) | 21,919,686 | 22,108,059 |
| | <u>26,338,160</u> | <u>26,457,289</u> |
| Total assets | \$ 28,313,437 | \$ 28,088,147 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Trade and other payables (note 9) | \$ 116,360 | \$ 366,482 |
| Lease liabilities (note 21) | 17,716 | 15,090 |
| Deferred revenue | 128,336 | 123,393 |
| Liability related to flow-through shares (notes 12, 15 and 22) | 179,557 | 88,561 |
| | <u>441,969</u> | <u>593,526</u> |
| Non-current liabilities: | | |
| Provisions (note 10) | 339,000 | 303,000 |
| Lease liabilities (note 21) | 17,784 | 12,279 |
| Loan (note 11) | 60,000 | 40,000 |
| | <u>416,784</u> | <u>355,279</u> |
| Total liabilities | 858,753 | 948,805 |
| Shareholders' equity: | | |
| Share capital (note 12) | 57,156,334 | 56,089,667 |
| Contributed surplus | 3,386,476 | 3,149,366 |
| Deficit | (33,088,126) | (32,099,691) |
| | <u>27,454,684</u> | <u>27,139,342</u> |
| Reporting entity and going concern (note 1) | | |
| Commitments and contingencies (note 15) | | |
| Total liabilities and Shareholders' equity | \$ 28,313,437 | \$ 28,088,147 |

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

YORBEAU RESOURCES INC.

Statements of Loss and Comprehensive Loss

Years ended December 31, 2021 and 2020

| | 2021 | 2020 |
|--|--------------|----------------|
| Revenues: | | |
| Contract revenue (note 8(a)) | \$ 820,893 | \$ 817,736 |
| Rental of facilities | 34,622 | 33,000 |
| Other income related to flow-through shares (notes 12, 15 and 22) | 42,337 | 281,061 |
| | 897,852 | 1,131,797 |
| Expenses: | | |
| Cost of sales (note 22) | 745,514 | 702,097 |
| Administrative expenses (notes 16 and 22) | 748,594 | 1,050,400 |
| Share-based payments | 237,110 | 172,600 |
| Mining property management fees | 69,488 | 38,021 |
| Chibougamau building expenses (note 17) | 33,741 | 47,883 |
| Impairment of exploration and evaluation assets (notes 8 and 22) | – | 683,983 |
| | 1,834,447 | 2,694,984 |
| Loss before net interest expense | (936,595) | (1,563,187) |
| Net interest expense | 32,010 | 15,034 |
| Net loss and comprehensive loss | \$ (968,605) | \$ (1,578,221) |
| Net loss per share, basic and diluted | \$ (0.01) | \$ (0.01) |
| Weighted average number of shares outstanding | 365,843,243 | 346,702,648 |

See accompanying notes to financial statements.

YORBEAU RESOURCES INC.

Statements of Cash Flows

Years ended December 31, 2021 and 2020

| | 2021 | 2020 |
|--|--------------|----------------|
| Cash provided by (used in): | | |
| Operating: | | |
| Net loss | \$ (968,605) | \$ (1,578,221) |
| Items not involving cash: | | |
| Other income related to flow-through shares | (42,337) | (281,061) |
| Share-based payments | 237,110 | 172,600 |
| Depreciation (notes 16 and 17) | 27,885 | 36,163 |
| Net interest expense | 32,010 | 15,034 |
| Impairment of exploration and evaluation properties (note 8) | — | 683,983 |
| Net change in non-cash operating working capital items: | | |
| Tax credits and other receivables | 62,597 | (43,308) |
| Prepaid expenses | 11,544 | 2,263 |
| Accounts payable and accrued liabilities | (250,122) | 181,230 |
| Deferred revenue | 4,943 | (3,616) |
| Net interest paid | (29,831) | (11,719) |
| | (914,806) | (826,652) |
| Investing: | | |
| Payment received as part of the Option Agreement (note 8(a)) | 750,000 | 1,000,000 |
| Increase of in-trust deposits | (36,000) | (24,000) |
| Additions to exploration and evaluation assets | (561,627) | (999,192) |
| | 152,373 | (23,192) |
| Financing: | | |
| Loan (note 11) | 20,000 | 40,000 |
| Proceeds from issuance of shares | 1,200,000 | 1,518,250 |
| Equity financing expenses (note 12) | (19,830) | (32,512) |
| Lease payments | (19,177) | (27,034) |
| | 1,180,993 | 1,498,704 |
| Net change in cash | 418,560 | 648,860 |
| Cash, beginning of year | 1,467,916 | 819,056 |
| Cash, end of year | \$ 1,886,476 | \$ 1,467,916 |

See accompanying notes to financial statements.

YORBEAU RESOURCES INC.

Statements of Changes in Shareholders' Equity

Years ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|----------------------|----------------------|
| Transactions with Shareholders, recorded directly in equity: | | |
| Share capital: | | |
| Balance, beginning of year | \$ 56,089,667 | \$ 54,686,801 |
| Issue of common shares (note 12) | 533,333 | — |
| Issue of flow-through shares ¹ (note 12) | 533,334 | 1,384,616 |
| Options exercised | — | 18,250 |
| | <u>57,156,334</u> | <u>56,089,667</u> |
| Contributed surplus: | | |
| Balance, beginning of year | 3,149,366 | 2,976,766 |
| Share-based payments under the option plan (notes 13 and 20) | 237,110 | 172,600 |
| | <u>3,386,476</u> | <u>3,149,366</u> |
| Deficit: | | |
| Balance, beginning of year as adjusted (note 22) | (32,099,691) | (30,488,958) |
| Net loss and comprehensive loss for the year | (968,605) | (1,578,221) |
| Equity financing expenses | (19,830) | (32,512) |
| | <u>(33,088,126)</u> | <u>(32,099,691)</u> |
| Total Shareholders' equity, end of year | <u>\$ 27,454,684</u> | <u>\$ 27,139,342</u> |

See accompanying notes to financial statements.

¹ Net of liability of \$133,333 (2020 - \$115,384).

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2021 and 2020

1. Reporting entity and going concern:

Yorbeau Resources Inc. ("Yorbeau" or the "Company") is a company domiciled in Canada and incorporated under the laws of the Province of Québec. The address of the Company's registered office is 50 Crémazie Boulevard, Suite 403, Montréal, Québec.

The Company is involved in the exploration of mineral properties in the Province of Québec. The Company has taken steps to verify the title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties. However, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business.

The Company is in the exploration stage with its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. For the year ended December 31, 2021, the Company incurred a net loss of \$968,605 (2020 - \$1,578,221) and had negative cash flows from operations of \$914,606 (2020 - \$826,652). In addition, the Company had an accumulated deficit of \$33,088,126 at December 31, 2021. Further, management expects that the working capital available to the Company at the end of the year will not provide the Company with adequate funding to cover its budgeted general administrative expenses and to meet its short-term obligations for the next 12 months, and to complete its planned 2022 calendar year exploration budget. Consequently, the Company will need to obtain additional financing in 2022. The Company currently has no committed sources of financing available. The Company has relied upon external financing to fund its operations in the past, primarily through the issuance of equity and amounts received from mining property option agreements.

The ability of the Company to meet its commitments and discharge its liabilities as they become due and pursue the acquisition of mineral properties and the development of projects is dependent on its ability to develop its mining properties and achieve commercial production and on its ability to raise additional funding to finance its operations. There can be no assurance that the Company will be able to obtain financing in the future, and there can be no assurance that such financing sources or initiatives will be available to the Company or that they will be available on terms acceptable to the Company. Further, the recoverability of amounts shown for mining properties and exploration and evaluation assets is dependent upon the ability of the Company to obtain necessary financing to complete the exploration and development thereof, and upon future profitable production or proceeds from the disposal of properties.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

1. Reporting entity and going concern (continued):

The conditions mentioned above indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in anything other than the ordinary course of operations.

2. Statement of compliance:

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

These financial statements were authorized for issue by the Board of Directors on March 30, 2022.

3. Basis of preparation:

(a) Basis of measurement:

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

- (i) Share-based compensation transactions, which are measured at fair value at grant date pursuant to IFRS 2, Share-Based Payment;
- (ii) Lease liabilities, which are measured at the present value of minimum lease payments at the commencement date pursuant to IFRS 16, Leases; and
- (iii) The liability for flow-through shares which is recorded at fair value at the date of the financing announcement.

(b) Functional and presentation currency:

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

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

3. Basis of preparation (continued):

(c) Use of estimates and judgments:

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in note 1 with respect to the Company's ability to continue as a going concern, and note 4(c), Impairment - Non-financial assets, on indicators of impairment of exploration and evaluation assets.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Notes 4 and 10 - Estimation of the provision for site restoration costs;
- Notes 4 and 14 - Recoverability of income tax assets;
- Note 12 - Estimation of the fair value of the liability related to flow-through shares.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

4. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Mining properties and exploration and evaluation assets:

Mining properties consist of acquired interests in mining permits and claims which include the rights to explore for all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration activities on an area of interest, are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

4. Significant accounting policies (continued):

(a) Mining properties and exploration and evaluation assets (continued):

The expenditures that are included in the measurement of exploration and evaluation assets include those related to acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource. Mining properties and exploration and evaluation assets are carried at historical cost less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing mining properties and exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of the assets.

(b) Financial instruments:

Financial assets are classified and measured based on the three following categories: amortized cost, fair value through other comprehensive income, and fair value through profit and loss ("FVTPL"). Financial liabilities are classified and measured in two categories: amortized costs or FVTPL. The Company's financial assets, namely cash, other receivables and in-trust deposits, are categorized and measured at amortized cost. All of the Company's financial liabilities, including accounts payable and accrued liabilities, and loan are also categorized and measured at amortized cost.

Financial assets are not reclassified subsequent to their initial recognition, unless the Company identifies changes in its business model in managing financial assets and would reassess the classification of financial assets.

(c) Impairment:

Financial assets

The Company applies a forward-looking "expected credit loss" ("ECL") model on each reporting date to financial assets measured at amortized cost.

The ECL model applied to financial assets requires judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. The ECL models applied did not have a material impact on receivables of the Company.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

4. Significant accounting policies (continued):

(c) Impairment (continued):

Financial assets (continued)

Impairment losses, if incurred, are recorded in profit or loss with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In years subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through profit or loss. The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

Non-financial assets

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have expired or will expire in the near future;
- No significant future exploration expenditures are foreseen;
- No commercially viable quantities are discovered and exploration and evaluation activities will be discontinued; and
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

The Company completes an evaluation at each reporting year of potential impairment indicators. If any such indicator exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer 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.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

4. Significant accounting policies (continued):

(c) Impairment (continued):

Non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the 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"). The level identified by the Company for the purposes of testing mining properties and exploration and evaluation assets for impairment corresponds to each mining property.

(d) Provision:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

(e) Share capital and warrants:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as an increase in deficit, net of any tax effects.

Flow-through shares

The Canadian 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 may finance a portion of its exploration programs with flow-through shares.

At the time of share issuance, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which are recorded as a liability for flow-through shares. The Company estimates the fair value of the obligation using the residual method, i.e. by comparing the price of the flow-through share to the quoted price of common share at the date of the financing announcement.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

4. Significant accounting policies (continued):

(e) Share capital and warrants (continued):

Flow-through shares (continued)

The Company may renounce the deductions for tax purposes under either what is referred to as the "general" method or the "look-back" method.

When tax deductions are being renounced under the general method, and the Company has the expectation of renouncing and has capitalized the expenditures during the current year, then the Company records a deferred tax liability with the corresponding charge to income tax expense. At the same time the liability related to flow-through shares is reduced, with a corresponding increase to other income related to flow-through shares.

When tax deductions are being renounced under the look-back method, the Company records a deferred tax liability with a corresponding charge to income tax expense when expenditures are made and capitalized. At the same time, the liability related to flow-through shares would be reduced, with a corresponding increase to other income related to flow-through shares.

(f) Share-based payments:

The grant date fair value of share-based payment awards granted to employees and directors is recognized as an expense, with a corresponding increase in contributed surplus, over the period that the employees and directors unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. 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, except when that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

4. Significant accounting policies (continued):

(g) Revenue from contracts with customers:

Revenues from contract revenues and rental of facilities are recognized over time as services are rendered. Contract assets represent the gross unbilled amount that is expected to be collected from third parties for work performed to the end of the reporting year. They are measured at cost plus profit, less progress billings. As such, the amount consists of revenues recognized by the Company in excess of amounts billed to clients. If progress billings for a given project exceed costs incurred plus recognized profit, then the difference is presented as deferred revenues.

(h) Finance income and finance costs:

Interest income and expense are recognized as they accrue, using the effective interest method.

Interest received and interest paid are classified under operating activities in the statements of cash flows.

(i) Refundable tax credit related to resources and refundable credit on mining duties:

The Company is eligible for a refundable resource tax credit on Canadian Exploration Expenditures, financed by Treasury funds, other than flow-through share financings, of up to 28%. This credit is recorded as a government grant against exploration and evaluation assets.

The Company is also entitled to a refundable credit on mining duties under the Québec Mining Tax Act. The accounting treatment for refundable credit 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. At the same time, a deferred tax liability and deferred tax expense are recognized because the exploration and evaluation assets lose their 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 as a government grant under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, which is recorded against exploration and evaluation assets.

Management's current intention is to sell the mining properties in the future, and, therefore, the credit on mining duties is recorded as a government grant against exploration and evaluation assets. The Company records the credit at the rate of 16% (2020 - 16%) applicable on 50% of the eligible expense.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

4. Significant accounting policies (continued):

- (i) Refundable tax credit related to resources and refundable credit on mining duties (continued):

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

- (j) Income tax:

Income tax expense comprises current and deferred tax. Current income tax and deferred income tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized with regard to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

4. Significant accounting policies (continued):

(k) Earnings (loss) per share:

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common Shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common Shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise warrants and share options granted to directors and employees.

(l) Segment reporting:

The Company determined that it only has one operating segment, i.e. mining exploration.

(m) Chibougamau building:

The building, located in Chibougamau, Québec, is being used as a drill core handling facility. It is carried at cost, less accumulated amortization. The Company currently amortizes it using the straight-line method over an estimated useful life of 25 years.

(n) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability on the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from one to two years for the vehicle and premises. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

4. Significant accounting policies (continued):

(n) Leases (continued):

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of profit or loss and comprehensive income or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Payments related to short-term leases (12 months or less) and leases of low-value assets are recorded as expenses in the statement of profit or loss and comprehensive income or loss on a straight-line basis.

(o) Mining Properties Options Agreements:

Options on interests in mining properties acquired by the Company are recorded at the fair value of the consideration paid, including other benefits given up but excluding the commitment for future expenditures. Commitment for future expenditures does not meet the definition of a liability and thus are not accounted for. Expenditures are accounted for only when incurred by the Company.

When the Company sells interests in a mining property (farm-out agreement), it uses the carrying amount of the property of the option as the carrying amount for the portion of the property retained, and credits any cash consideration received and also fair value of other financial assets against the carrying value of this portion any excess is recognized as a gain in profit or loss.

(p) Net smelter return royalties:

The net smelter return ("NSR") royalties are generally not accounted for when acquiring the mining property since they are deemed to be a contingent liability. Royalties are only accounted for when probable and can be measured with sufficient reliability.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

5. Tax credits and other receivables:

| | 2021 | 2020 |
|-------------|-----------|-----------|
| Sales taxes | \$ — | \$ 75,221 |
| Other | 26,294 | 13,670 |
| | \$ 26,294 | \$ 88,891 |

6. In-trust deposits:

At as December 31, 2021, the Company had an in-trust deposit of \$339,000 (2020 - \$303,000) in accordance with the current guarantees required under the *Regulation respecting mineral substances other than petroleum, natural gas and brine* and the *Act respecting the preservation of agricultural land and agricultural activities* for the future restoration costs of the Augmitto and Astoria sites on the Rouyn property. Additional guarantees may be required from the government (see note 10).

7. Chibougamau building:

| | 2021 | 2020 |
|---------------------------------|------------|------------|
| Cost | | |
| Balance, beginning of year | \$ 273,890 | \$ 273,890 |
| Balance, end of year | \$ 273,890 | \$ 273,890 |
| Accumulated depreciation | | |
| Balance, beginning of year | \$ 64,419 | \$ 53,463 |
| Depreciation | 10,956 | 10,956 |
| Balance, end of year | \$ 75,375 | \$ 64,419 |
| Carrying amount | | |
| Balance, end of year | \$ 198,515 | \$ 209,471 |

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

8. Mining properties and exploration and evaluation assets:

Mining properties:

| | | | 2021 |
|------------------|-------------------------------|-----------|-------------------------|
| | Balance, beginning of year | Additions | Balance, end of year |
| Rouyn | \$ 2,534,940 | \$ 36,000 | \$ 2,570,940 |
| Scott Lake | 774,235 | – | 774,235 |
| Lemoine | 270,492 | – | 270,492 |
| Selbaie West | 63,369 | – | 63,369 |
| Estrades-Caribou | 167,672 | – | 167,672 |
| | \$ 3,810,708 | \$ 36,000 | \$ 3,846,708 |

| | | | 2020 |
|------------------|-------------------------------|-----------|-------------------------|
| | Balance, beginning of year | Additions | Balance, end of year |
| Rouyn | \$ 2,510,940 | \$ 24,000 | \$ 2,534,940 |
| Scott Lake | 774,235 | – | 774,235 |
| Lemoine | 270,492 | – | 270,492 |
| Selbaie West | 63,369 | – | 63,369 |
| Estrades-Caribou | 167,672 | – | 167,672 |
| | \$ 3,786,708 | \$ 24,000 | \$ 3,810,708 |

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

8. Mining properties and exploration and evaluation assets (continued):

Exploration and evaluation assets:

| | 2021 | | | |
|----------------------|----------------------------------|-------------------|---------------------------|---|
| | Balance, beginning of year | Additions | Agreement (note 8 (a)) | Payment received as part of Option Balance, end of year |
| Rouyn (a) | \$ 14,129,397 | \$ – | \$ (750,000) | \$ 13,379,397 |
| Beschefer (b) | 881,884 | 77,237 | – | 959,121 |
| Kistabiche (c) | 202,512 | 1,202 | – | 203,714 |
| Scott Lake (e) | 4,688,992 | 115,850 | – | 4,804,842 |
| Lemoine (f) | 658,392 | 334,308 | – | 992,700 |
| Selbaie West (d) | 331,318 | 1,321 | – | 332,639 |
| Estrades-Caribou (g) | 1,209,874 | 28,182 | – | 1,238,056 |
| Gemini (c) | 2,505 | – | – | 2,505 |
| Turgeon (c) | 387 | – | – | 387 |
| Allard (c) | 1,192 | 667 | – | 1,859 |
| Landrienne (h) | 1,606 | 2,860 | – | 4,466 |
| | \$ 22,108,059 | \$ 561,627 | \$ (750,000) | \$ 21,919,686 |

| | 2020 | | | | |
|----------------------|----------------------------------|-------------------|---------------------------|---|-------------------------|
| | Balance, beginning of year | Additions | Impairment (note 8(i)) | Payment received as part of Option Agreement (note 8 (a)) | Balance, end of year |
| Rouyn (a) | \$ 15,129,397 | \$ – | \$ – | \$ (1,000,000) | \$ 14,129,397 |
| Beschefer (b) | 772,766 | 109,118 | – | – | 881,884 |
| Kistabiche (c) | 192,253 | 10,259 | – | – | 202,512 |
| Scott Lake (e) | 4,680,430 | 8,562 | – | – | 4,688,992 |
| Lemoine (f) | 19,090 | 639,302 | – | – | 658,392 |
| Selbaie West (d) | 324,883 | 6,435 | – | – | 331,318 |
| Estrades-Caribou (g) | 1,205,494 | 4,380 | – | – | 1,209,874 |
| Gemini (c) | 2,505 | – | – | – | 2,505 |
| Turgeon (c) | 387 | – | – | – | 387 |
| Allard (c) | 1,192 | – | – | – | 1,192 |
| Landrienne (h) | 1,284 | 322 | – | – | 1,606 |
| KB (i) | 463,169 | 220,814 | (683,983) | – | – |
| | \$ 22,792,850 | \$ 999,192 | \$ (683,983) | \$ (1,000,000) | \$ 22,108,059 |

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

8. Mining properties and exploration and evaluation assets (continued):

(a) Rouyn property:

Yorbeau owns a 100% interest in the Rouyn property which is located in the Rouyn and Beauchastel townships in Québec. The Rouyn property is composed of one mining concession and a group of 95 mining claims. Twelve of the 95 mining claims are subject to a \$50,000 per annum royalty payable to Société Minière Alta inc., a company controlled by a director of Yorbeau.

On December 17, 2018 (the "Effective Date"), Yorbeau entered into a definitive option agreement ("Option Agreement") with IAMGOLD Corporation ("IAMGOLD"), whereby IAMGOLD has an option to acquire a 100% interest in the Rouyn property in Québec, Canada.

The Option Agreement provides that, subject to certain conditions, IAMGOLD would make certain payments and incur exploration expenditures towards an option to purchase a 100% interest in the Rouyn property. In order to earn the purchase option, IAMGOLD is required to:

- (i) Make an initial cash payment to Yorbeau of \$1 million on the effective date of the Final Option Agreement;
- (ii) Fund and incur \$9 million of exploration expenditures in a period of up to forty-eight (48) months following the Effective Date (the "Expenditure Period"), including minimum exploration expenditures in each 12-month period of the Expenditure Period and at least 20,000 metres of diamond drilling within a twenty-four (24) month period following the later of the Effective Date or the date all requisite governmental approvals or consents for the drilling program are obtained;
- (iii) Make interim cash payments to Yorbeau during the Expenditure Period of an aggregate amount of \$3 million;
- (iv) Complete a resource estimate for the Rouyn property in accordance with IAMGOLD's standard estimation and reporting practices subject to detailed technical parameters to be agreed between IAMGOLD and Yorbeau; and
- (v) Make a final cash payment to Yorbeau, in three instalments over up to a two-year period following the Expenditure Period, in an aggregate amount equal to the lesser of (a) an amount calculated by multiplying the total number of ounces of gold identified in the resource estimate by \$15.00 and (b) \$30 million.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

8. Mining properties and exploration and evaluation assets (continued):

(a) Rouyn property (continued):

In addition to the final cash payment, Yorbeau will be issued and granted by IAMGOLD, at the time of exercise of the option, a 2% NSR royalty on the minerals produced on the Rouyn property. IAMGOLD will be the operator and project manager of the Rouyn property during the option period. Yorbeau will be represented on a technical committee that will oversee the work program.

The agreement also stipulates that IAMGOLD may engage Yorbeau to perform exploration work on the Rouyn property in exchange for reimbursement of Yorbeau's costs plus a 10% administration fee. During the year ended December 31, 2021, Yorbeau recognized \$820,893 (2020 - \$817,736) as contract revenue under this arrangement in the statement of loss and comprehensive loss.

The option agreement is considered a farm-out agreement. As a result, the initial cash consideration of \$1 million and interim cash payments have been recognized as a reduction of the Rouyn exploration and evaluation assets.

(b) Beschefer property:

In 2002, Yorbeau entered into an agreement with Explorers Alliance Corporation ("Explorers"), pursuant to which Yorbeau acquired from Explorers an 80% interest in 149 staked mining claims in consideration of the issuance of 350,000 Class A common shares. In 2005, Yorbeau abandoned 12 of these claims. The Company also has the option to acquire, at any time, the remaining 20% interest held by Explorers in consideration of either a cash payment of \$500,000 or the issuance of 1,800,000 additional Class A common shares, as determined by Explorers. Yorbeau also owns a 100% interest in 120 staked claims located in Beschefer Township. The 257 staked claims which form the Beschefer property were converted in July 2012 into an aggregate of 115 map designated claims. Yorbeau acquired 13 additional claims in 2020, which brings the total to 128. Yorbeau owns a 100% interest in 63 of these claims and an 80% interest in the remaining 65 claims.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

8. Mining properties and exploration and evaluation assets (continued):

(c) Gemini, Turgeon, Kistabiche, Bonfortel, Poirier and Allard:

The Gemini-Turgeon property results from the merging of two contiguous mining properties: the Gemini property and the Turgeon property. It is located 80 kilometres north of La Sarre in the Abitibi region of Québec, more specifically in the Laberge and Casa-Berardi townships. The property consists of 351 claims.

- Yorbeau has a 50% interest in the Turgeon property, with the remaining 50% interest held by IAMGOLD. Certain claims of this property are subject to a 2% NSR royalty in favour of a third party;
- Yorbeau has a 37.5% interest in the Gemini property, with the remaining interests of 37.5% held by IAMGOLD and 25% held by a third party. Certain claims of this property are subject to a 2% NSR royalty in favour of another third party.

The Joutel-Explo Zinc property results from the merging of three mining properties: Kistabiche, Bonfortel and Poirier. It is located 135 kilometres north of Amos in the Abitibi region of Québec, more specifically, in the Joutel and Poirier townships.

- Yorbeau owns a 100% interest in the Bonfortel and Poirier blocks. Certain claims of this property are subject to a 2% NSR royalty in favour of a third party;
- Yorbeau owns a 73.87% interest in Kistabiche, with the remaining 26.13% interest held by a third party.

The Allard property is located 175 kilometres north of Amos in the Abitibi region of Québec, more specifically in Desmazures Township. Yorbeau owns a 70% interest in the property and the remaining interest of 30% is held by a third party.

(d) Selbaie West:

Yorbeau owns a 100% interest in the Selbaie West property, which is located in the Carheil and Brouillan townships in Québec. The property consists of 105 claims, 100 of which are subject to a right of return in favour of First Quantum Minerals Ltd. ("First Quantum") pursuant to an agreement dated June 29, 2009 as amended on January 15, 2015 (the "Back-in Right Agreement"). Under the terms of the Back-in Right Agreement, First Quantum has the right to earn back a 50% interest in the property by funding, with Yorbeau as operator, the exploration expenditures on the property in an amount equal to twice the amount of expenditures made on such property since it was acquired by Yorbeau. If First Quantum does not exercise its back-in right, it will be entitled to receive a 1% NSR royalty on the claims which are subject to the back-in right.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

8. Mining properties and exploration and evaluation assets (continued):

(e) Scott Lake:

Yorbeau owns a 100% interest in the Scott Lake property, which is composed of three (3) claim blocks totalling 123 claims located in the Scott, Lévy and Obalski townships in Québec. Some of these claims are subject to production royalties to third parties, as follows:

Ouje block: No underlying royalty.

Scott-Diagold block: These claims are subject to a 1% NSR royalty in favour of Exploration Diagold Inc., which can be purchased at any time by Yorbeau for an amount of \$750,000.

1948565 Ontario Inc. ("1948565") block: These claims may be subject to various underlying royalty agreements, payable upon commercial production, and a one-time cash payment is due upon commercial production to 1948565, as follows: (1) \$1,000,000 if the feasibility study in respect of the property indicates contained mineral reserves of less than 5 million tonnes; (2) \$2,000,000 if such reserves are in excess of 5 million tonnes but less than 10 million tonnes; and (3) \$4,000,000 if such reserves are in excess of 10 million tonnes.

An advance amount of \$35,000 is payable annually to 1948565 until commercial production is achieved. These advances are recorded in the statements of loss and comprehensive loss under Administrative expenses.

(f) Lemoine:

In July 2015, the 199 staked claims which formed the Lemoine property were converted into an aggregate of 102 map designated claims. The property is located in the Lemoine, Rinfret and Dollier townships in Québec. Yorbeau has a 79.30% interest in the Lemoine property, with the remaining 20.70% interest held by First Quantum. Some claims on this property are subject to a 2% NSR royalty and a \$1,000,000 payment upon commercial production. Other claims on this property are subject to a 1% NSR royalty, half of which can be purchased for \$1,000,000.

(g) Estrades-Caribou:

The Estrades-Caribou property consists of three contiguous claim blocks totalling 118 claims located in the Estrées Township in Québec. Yorbeau owns varying interests in these claims, as follows:

- Estrades block (7 claims): 67.20% interest owned by Yorbeau, with the residual interest owned by First Quantum;
- East Caribou block (38 claims): 67.20% interest owned by Yorbeau, with the residual interest owned by First Quantum;
- West Caribou block (73 claims): 100% interest owned by Yorbeau.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

8. Mining properties and exploration and evaluation assets (continued):

(g) Estrades-Caribou (continued):

A total of 111 claims on the Caribou East and Caribou West blocks are subject to a 2.5% NSR royalty.

(h) Landrienne:

Yorbeau owns a 100% interest in the Landrienne property which consists of 59 claims located in the Landrienne Township in Québec. This property is subject to the Back-in Right Agreement with First Quantum. In addition:

- 12 claims of the property are subject to a 2% NSR royalty in favor of Placer Dome and an additional 1% NSR royalty in favor of Inmet;
- 16 claims of the property are subject to a 1% NSR royalty in favor of Inmet;
- 21 claims of the property are subject to a 2% NSR royalty in favor of IAMGOLD and an additional 1% NSR royalty in favor of Inmet;
- 10 claims of the property are subject to a 1.5% NSR royalty in favor of Placer Domer, an additional 0.5% NSR royalty in favor of Brindle Investment Ltd. and an additional 1% NSR royalty in favor of Inmet.

(i) KB:

In December 2017, Yorbeau acquired the KB property located in McCorkill township 35 kilometres east of the town of Chibougamau. The property (locally also known as "Kill Bill") is comprised of 30 claims covering 16.7 square kilometres located in the eastern limit of the Abitibi belt of Québec.

In fiscal 2020, Yorbeau decided to cease all prospecting activity on this property and the 30 claims were abandoned. The exploration and evaluation assets and mining properties related to this property were written off.

9. Trade and other payables:

| | 2021 | 2020 |
|-------------------|------------|------------|
| Trade payables | \$ 72,173 | \$ 274,082 |
| Other liabilities | 44,188 | 92,400 |
| | \$ 116,361 | \$ 366,482 |

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

10. Provisions:

The Company's provisions consist of obligations for site restoration costs associated with mine reclamation and closure activities at the Astoria and Augmitto sites on the Rouyn property as required under the *Regulation respecting mineral substances other than petroleum, natural gas and brine* and the *Act respecting the preservation of agricultural land and agricultural activities*. In determining the estimated costs, the Company takes into account factors such as changes in legislation and regulations and requirements under existing permits.

The Company anticipates total restoration costs in relation to the aforementioned regulations of \$279,000 (2020 - \$279,000) for the Astoria site and \$60,000 (2020 - \$24,000) for the Augmitto sites. These amounts represent what is anticipated in the most recent mine site closure plan approved by the government authorities. Any future adjustments to this provision due to changes in laws, regulations and operating assumptions will be added to the cost of the underlying asset and could be significant. The effect of discounting is not material to these financial statements.

There was an increase of \$36,000 (2020 - \$24,000) in the provision for site restoration costs during the year. The balance at December 31, 2021 was \$339,000 (2020 - \$303,000).

11. Loan:

Consists of a term loan of \$60,000 (2020 - \$40,000) under the Canadian Small Business Emergency Account, interest free before December 31, 2023, with \$20,000 being forgivable provided \$40,000 is paid back before December 31, 2023. The effect of discounting the loan is not material to these financial statements.

Outstanding loan on December 31, 2023 will be converted to a 2-year term loan at 5% annual interest, paid monthly, effective January 1, 2024, with the loan fully due by December 31, 2025.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

12. Share capital:

Authorized:

An unlimited number of Class A common shares, without nominal or par value

Changes in shares during the year were as follows:

| | 2021 | | 2020 | |
|--|------------------|------------|------------------|------------|
| | Number of shares | \$ | Number of shares | \$ |
| Balance, beginning of year | 364,235,936 | 56,089,667 | 340,609,013 | 54,686,801 |
| Shares issued: | | | | |
| Options exercise (note 13) | – | – | 550,000 | 18,250 |
| Private placement | | | | |
| common shares | 13,333,340 | 533,333 | – | – |
| Flow-through shares | 13,333,340 | 666,667 | 23,076,923 | 1,500,000 |
| Liability related to flow-through shares | – | (133,333) | – | (115,384) |
| | 390,902,616 | 57,156,334 | 364,235,936 | 56,089,667 |

Flow-through share issuance:

On October 27, 2020, the Company completed a private placement. The Company issued a total of 23,076,923 flow-through shares at a price of \$0.065 per share for gross proceeds of \$1,500,000. The Company incurred equity financing fees of \$32,512, comprised of the finder's fee paid at closing.

On December 9, 2021, the Company completed a private placement. The Company issued a total of 13,333,340 flow-through shares at a price of \$0.05 per share and 13,333,340 common shares at a price of \$0.04 per share for gross proceeds of \$1,200,000. The Company incurred equity financing fees of \$19,830, comprised of the finder's fee paid at closing.

The carrying amount of the flow-through shares is presented net of the liability related to flow-through shares of \$133,333 which was recognized at the time of issuance (2020 - \$115,384).

13. Share option plan:

As at December 31, 2021, 13,963,334 Class A common shares were reserved for future issuance under the share option plan for the benefit of the directors, employees and service providers of the Company. Options are issued at an exercise price corresponding to the latest closing price of the Class A common shares on the TSX prior to the grant of the option.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

13. Share option plan (continued):

The option plan provides that directors shall determine, at their sole discretion, whether vesting conditions should be applicable to any option granted thereunder at the time of such grant.

On July 7, 2021 the Company granted a total of 800,000 share options to employees and directors exercisable at \$0.05 per share.

On June 17, July 13, July 27 and October 9, 2020, the Company granted a total of 7,800,000 share options to employees and directors exercisable at \$0.06, \$0.055, \$0.065 and \$0.05 per share, respectively.

Share options vest over a period of two years and expire after a period of five years. The fair value of each option granted was determined using the Black-Scholes option pricing model. At the date of grant, the weighted average fair value of the options granted was \$0.043 (2020 - \$0.056) per option for a total value of \$34,415 (2020 - \$429,582). The fair value measurement assumptions used at the share option plan grant date were as follows:

| | 2021 | 2020 |
|---------------------------|---------|-------------------|
| Risk-free interest rate | 1.8% | 1.21% - 1.64% |
| Expected service life | 5 years | 5 years |
| Expected volatility | 130% | 147% - 150% |
| Share price on grant date | \$0.05 | \$0.06 and \$0.08 |

Changes in the number of options outstanding under the Company's plan during the year were as follows:

| | 2021 | | 2020 | |
|----------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|
| | Number of share options | Average weighted exercise price | Number of share options | Average weighted exercise price |
| Balance, beginning of year | 12,550,000 | \$ 0.05 | 8,525,000 | \$ 0.079 |
| Granted | 800,000 | 0.05 | 7,800,000 | 0.056 |
| Exercised | — | — | (550,000) | 0.033 |
| Forfeited | — | — | (750,000) | 0.035 |
| Expired | (300,000) | 0.10 | (2,475,000) | 0.18 |
| Balance, end of year | 13,050,000 | \$ 0.05 | 12,550,000 | \$ 0.05 |
| Options exercisable, end of year | 8,750,000 | \$ 0.048 | 3,750,000 | \$ 0.041 |

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

13. Share option plan (continued):

As at December 31, 2021, options outstanding were as follows:

- 2,525,000 options at \$0.035 per share until June 14, 2023;
- 925,000 options at \$0.04 per share until July 11, 2023;
- 500,000 options at \$0.03 per share until February 14, 2024;
- 500,000 options at \$0.025 per share until March 11, 2024;
- 1,000,000 options at \$0.06 per share until June 17, 2025;
- 5,800,000 options at \$0.055 per share until July 13, 2025;
- 500,000 options at \$0.065 per share until July 27, 2025;
- 500,000 options at \$0.05 per share until October 9, 2025; and
- 800,000 options at \$0.05 per share until July 7, 2026.

14. Income tax:

Income tax recovery differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.5% (2020 - 26.5%) as a result of the following:

| | 2021 | 2020 |
|---|--------------|----------------|
| Net loss and comprehensive loss for the year | \$ (968,605) | \$ (1,578,221) |
| Expected tax recovery | (256,681) | (418,228) |
| Decrease in income taxes resulting from: | | |
| Non-deductible share-based payments | 62,834 | 45,777 |
| Change in unrecognized deferred tax assets | 58,572 | 212,928 |
| Tax expense related to flow-through share deduction | 145,851 | 234,759 |
| Permanent difference arising from non-taxable flow-through shares | (10,506) | (77,931) |
| Other | (70) | 2,695 |
| Total income tax recovery | \$ — | \$ — |

As at December 31, 2021, the Company had exploration expenditures and other costs of approximately \$26,558,000, which are being carried forward for income tax purposes indefinitely and may be deducted from future taxable income. The Company also had \$21,952,000 in tax losses available to reduce future years' income. These tax losses, for which the tax effect has not been recorded in these financial statements, expire as follows:

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

14. Income tax (continued):

| | | |
|-------|----|------------|
| 2025 | \$ | 339,000 |
| 2026 | | 469,000 |
| 2027 | | 1,228,000 |
| 2028 | | 1,648,000 |
| 2029 | | 1,765,000 |
| 2030 | | 2,015,000 |
| 2031 | | 1,873,000 |
| 2032 | | 1,685,000 |
| 2033 | | 1,630,000 |
| 2034 | | 1,313,000 |
| 2035 | | 775,000 |
| 2036 | | 905,000 |
| 2037 | | 1,208,000 |
| 2038 | | 975,000 |
| 2039 | | 1,212,000 |
| 2040 | | 972,000 |
| 2041 | | 1,186,000 |
| 2042 | | 754,000 |
| Total | \$ | 21,952,000 |

Deferred tax assets have not been recognized because it is not probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized. Deferred tax assets have not been recognized in respect of the following items:

| | 2021 | 2020 |
|----------------------------------|--------------|--------------|
| Operating loss | \$ 5,121,000 | \$ 4,881,000 |
| Equity financing expenses | 14,000 | 20,000 |
| Equipment | 138,000 | 135,000 |
| Mining properties | 598,000 | 778,000 |
| Provisions | 90,000 | 80,000 |
| Unrecognized deferred tax assets | \$ 5,961,000 | \$ 5,894,000 |

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

14. Income tax (continued):

Deferred taxes are as follows:

| | 2020 | Recognized in profit or loss | 2021 |
|------------------------------------|------------|---------------------------------|------------|
| Deferred tax assets: | | | |
| Non-capital losses carried forward | \$ 746,454 | \$ (40,379) | \$ 706,075 |
| Deferred tax liabilities: | | | |
| Exploration and evaluation assets | (746,454) | 40,379 | (706,075) |
| Net deferred tax | \$ – | \$ – | \$ – |

| | 2019 | Recognized in profit or loss | 2020 |
|------------------------------------|------------|---------------------------------|------------|
| Deferred tax assets: | | | |
| Non-capital losses carried forward | \$ 888,000 | \$ (141,546) | \$ 746,454 |
| Deferred tax liabilities: | | | |
| Exploration and evaluation assets | (888,000) | 141,546 | (746,454) |
| Net deferred tax | \$ – | \$ – | \$ – |

15. Commitments and contingencies:

The Company was committed to carry out \$1,500,000 in eligible exploration and evaluation work prior to December 31, 2022, related to the flow-through financing completed in 2020. As at December 31, 2021, the Company has incurred eligible expenditures of \$899,086 in respect of this financing and, therefore, retains a commitment of \$600,914.

The Company committed to carry out \$666,667 in eligible exploration and evaluation work prior to December 31, 2022, related to the flow-through financing completed on December 9, 2021. As at December 31, 2021, the Company has not incurred any eligible expenditures with respect to this financing and, therefore, retains a commitment of \$666,667.

There is no guarantee that the funds spent by the Company in the future will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities could have negative tax consequences for investors. In such event, the Company will 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.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

16. Administrative expenses:

| | 2021 | 2020 |
|------------------------------------|------------|--------------|
| Salaries | \$ 226,850 | \$ 323,051 |
| Fees | 269,634 | 326,158 |
| Investor relations | 58,573 | 122,874 |
| Taxes, licences and other | (5,042) | 33,892 |
| Rent | 26,863 | 15,265 |
| Insurance | 17,804 | 14,408 |
| Depreciation of right-of-use asset | 16,929 | 25,207 |
| Miscellaneous | 136,983 | 189,545 |
| | \$ 748,594 | \$ 1,050,400 |

17. Chibougamau building expenses:

| | 2021 | 2020 |
|--------------------------|-----------|-----------|
| Depreciation | \$ 10,956 | \$ 10,956 |
| Taxes, licences and fees | 8,056 | 7,842 |
| Heating | 6,290 | 5,465 |
| Property maintenance | 3,450 | 15,670 |
| Insurance | 1,719 | 1,268 |
| Miscellaneous | 3,270 | 6,682 |
| | \$ 33,741 | \$ 47,883 |

18. Financial instruments and financial risk management:

Risk management:

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management monitors financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risk exposure and its financial risk management policies are as follows:

(a) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash. Cash are maintained with high-credit, quality financial institutions.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

18. Financial instruments and financial risk management (continued):

Risk management (continued):

(b) Interest rate risk:

The cash bear interest at a variable rate and the Company is, therefore, exposed to the risk of changes in cash flows resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

(c) Liquidity risk:

Management serves to maintain a sufficient amount of cash and cash equivalents, and to ensure that the Company has at its disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfil its obligations. Being able to obtain new funds allows the Company to pursue its activities, and even though the Company was successful in the past, there can be no assurance it will succeed in the future.

The following table summarizes the contractual maturities of the Company's financial liabilities at December 31, 2021:

| | | | | 2021 | |
|--------------------------|-----------------|------------|---------------------|--------------|--|
| | Carrying amount | 1 year | Within 2 to 5 years | Over 5 years | |
| Trade and other payables | \$ 116,360 | \$ 116,360 | \$ – | \$ – | |
| Loan | 60,000 | – | 60,000 | – | |
| Leases | 35,500 | 17,716 | 17,784 | – | |
| | \$ 211,860 | \$ 134,076 | \$ 77,784 | \$ – | |

(d) Fair value:

The fair value of the Company's financial assets and liabilities approximates their carrying amount because of the short-term nature of those instruments. The fair value of the loan also approximates its carrying value.

19. Capital disclosure:

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern in order to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

19. Capital disclosure (continued):

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets. In the management of capital, the Company includes the components of Shareholders' equity. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets or adjust the amount of cash. The Company does not intend to issue long-term debt, other than loans under government assistance, before it will generate revenues. There is no dividend policy. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since last year.

20. Related party transactions:

Transactions with key management personnel

The compensation of directors and executive officers of the Company comprises:

| | 2021 | 2020 |
|------------------------------|-------------------|-------------------|
| Short-term employee benefits | \$ 133,539 | \$ 248,490 |
| Share-based payments | 237,110 | 172,600 |
| | <u>\$ 370,649</u> | <u>\$ 421,090</u> |

In connection with the private placement that closed on December 31, 2020, three insiders of the Company purchased a total of 6,971,000 common shares for total proceeds of \$453,115. The terms and conditions offered to the related parties in this transaction are identical to those offered to non-related common Shareholders.

In connection with the private placement that closed on December 9, 2021, five insiders of the Company purchased a total of 16,772,220 common shares for total proceeds of \$754,750. The terms and conditions offered to the related parties in this transaction were identical to those offered to the non-related common Shareholders.

Other related party transactions

A property in the statements of financial position is encumbered with a royalty of \$50,000 per annum (2020 - \$50,000) payable to Société Minière Alta inc., a corporation controlled by a director of Yorbeau. The definitive Option Agreement stipulates that IAMGOLD will be liable to pay the royalty of \$50,000 per annum to Société Minière Alta inc. (note 8 (a)).

These transactions were made in the normal course of business and measured at the exchange amount, which is the amount established and agreed to by the parties.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

21. Right-of-use assets and lease liabilities:

The following table shows the change in the Company's right-of-use assets during the years ended December 31:

| | 2021 | 2020 |
|--|-----------|-----------|
| Right-of-use assets as at January 1 | \$ 26,051 | \$ 28,899 |
| Additions | 25,129 | 22,359 |
| Depreciation expense with respect to right-of-use assets | (16,929) | (25,207) |
| Right-of-use assets as at December 31 | \$ 34,251 | \$ 26,051 |

The following table shows the change in the lease liabilities of the Company during the years ended December 31:

| | 2021 | 2020 |
|--|-----------|-----------|
| Lease liabilities as at January 1 | \$ 27,369 | \$ 28,729 |
| Additions | 25,129 | 22,359 |
| Lease liability payments, including related interest | (19,177) | (27,034) |
| Interest expense with respect to lease liabilities | 2,179 | 3,315 |
| Lease liabilities as at December 31 | \$ 35,500 | \$ 27,369 |
| Current portion | \$ 17,716 | \$ 15,090 |
| Non-current portion | 17,784 | 12,279 |

For new leases during the year, the Company discounted future rent payments using its marginal borrowing rate. The weighted average rate applied was 10%.

YORBEAU RESOURCES INC.

Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

22. Adjusted comparative figures:

Comparative figures have been adjusted to correct for immaterial prior year errors, of which \$19,544 related to and decreased the net loss in 2020 and \$152,668 related to prior years and decreased the opening deficit on January 1, 2020. The adjustments had the following impact on the statement of loss and comprehensive loss for the year ended December 31, 2020:

- Decrease in cost of sales of \$41,290;
- Decrease in administrative expenses of \$29,007;
- Increase in the impairment of exploration and evaluation assets of \$37,736; and
- Decrease in other income related to flow-through shares of \$13,017.

In addition, exploration and evaluation assets were increased by \$159,740 and the liability related to flow-through shares decreased by \$12,472 at December 31, 2020. Accordingly, the deficit at December 31, 2020 decreased by \$172,212 for the 2020 and prior year adjustments.