

Financial statements of

YORBEAU RESOURCES INC.

Years ended December 31, 2022 and 2021



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Yorbeau Resources Inc.

Opinion

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

- the statements of financial position as at December 31, 2022 and 2021
- 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 the Entity as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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



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, 2022. 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 auditor's report, we have determined the matter described below to be the key audit matter to be communicated in our auditor's 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 \$3,615,669 and \$21,765,106, 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 period 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 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 and discussion with management on the Entity's plans.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

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

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 period and are therefore the key audit matters. We describe these matters in our auditor's 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 auditor's 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 auditor's report is Peggy Gouskos.

A handwritten signature in black ink that reads 'KPMG LLP*' with a horizontal line underneath.

Montréal, Canada

March 30, 2023

YORBEAU RESOURCES INC.

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 376,012	\$ 1,886,476
Investment (note 8(e))	52,500	--
Tax credits and other receivables (note 5)	128,794	26,294
Prepaid expenses	116,763	62,507
	674,069	1,975,277
Non-current assets:		
In-trust deposits (note 6)	339,000	339,000
Right-of-use assets (note 21)	16,303	34,251
Chibougamau building (note 7)	187,561	198,515
Mining properties (note 8)	3,615,669	3,846,708
Exploration and evaluation assets (note 8)	21,765,106	21,919,686
	25,923,639	26,338,160
	\$ 26,597,708	\$ 28,313,437
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables (note 9)	\$ 160,682	\$ 116,360
Lease liabilities (note 21)	17,242	17,716
Deferred revenue	26,138	128,336
Liability related to flow through shares (notes 12 and 14)	49,504	179,557
	253,566	441,969
Non-current liabilities:		
Provisions (note 10)	339,000	339,000
Lease liabilities (note 18)	542	17,784
Loan (note 11)	60,000	60,000
	399,542	416,784
Total liabilities	653,108	858,753
Shareholders' equity:		
Share capital (note 12)	58,106,334	57,156,334
Contributed surplus	3,430,202	3,386,476
Deficit	(35,591,936)	(33,088,126)
	25,944,600	27,454,684
Reporting entity and going concern (note 1)		
Commitments and contingencies (note 14)		
	\$ 26,597,708	\$ 28,313,437

See accompanying notes to financial statements.

On behalf of the Board:

(s) G. Bodnar Jr. Director

(s) Marcel Lecourt Director

YORBEAU RESOURCES INC.

Statements of Loss and Comprehensive Loss

Years ended December 31, 2022 and 2021

	2022	2021
Revenues		
Contract revenue	\$ 596,841	\$ 820,893
Rental of facilities	39,429	34,622
Other revenue related to flow-through shares (notes 12 and 15)	192,553	42,337
	828,823	897,852
Expenses (other income)		
Cost of revenues	511,460	745,514
Administrative expenses (note 16)	859,223	748,594
Share-based payments	43,726	237,110
Mining property management fees	121,738	69,488
Chibougamau building expenses (note 17)	35,985	33,741
Impairment of mining properties and exploration and evaluation assets (note 8(i))	1,804,459	--
Unrealized loss on investment (note 8(e))	22,500	--
Gain on sale of claims (note 8(e))	(75,000)	--
	3,324,091	1,834,447
Loss before net interest expense	(2,495,268)	(936,595)
Interest income	9,480	--
Interest expense	(18,022)	(32,010)
Net loss and comprehensive loss	\$ (2,503,810)	\$ (968,605)
Net loss per share, basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	397,617,694	365,843,243

See accompanying notes to financial statements.

YORBEAU RESOURCES INC.

Statements of Cash Flows

Years ended December 31, 2022 and 2021

	2022	2021
Cash provided by (used in):		
Operating:		
Net loss	\$(2,503,810)	\$ (968,605)
Items not involving cash:		
Other revenue related to flow-through shares	(192,553)	(42,337)
Share-based payments	43,726	237,110
Depreciation (notes 16 and 17)	28,903	27,885
Impairment of mining properties and exploration and evaluation assets (note 8(i))	1,804,459	--
Unrealized loss on investment	22,500	--
Gain on sale of claims	(75,000)	--
Net interest expense	8,542	32,010
Net change in non-cash operating working capital items		
Change in tax credits and other receivables	(102,500)	62,597
Change in prepaid expenses	(54,256)	11,544
Change in accounts payable and accrued liabilities	44,322	(250,122)
Change in deferred revenue	(102,198)	4,943
Net interest paid	(5,959)	(29,831)
	(1,083,824)	(914,806)
Investing:		
Payment received as part of the Option Agreement (note 8 (a))	--	750,000
Additions to mining properties	--	(36,000)
Additions to exploration and evaluations assets	(1,418,840)	(561,627)
	(1,418,840)	152,373
Financing:		
Loan (note 11)	--	20,000
Proceeds from issuance of shares	1,012,500	1,200,000
Equity financing expense (note 12)	--	(19,830)
Lease payments	(20,300)	(19,177)
	992,200	1,180,993
Net change in cash	(1,510,464)	418,560
Cash, beginning of year	1,886,476	1,467,916
Cash, end of year	\$ 376,012	\$ 1,886,476

See accompanying notes to financial statements.

YORBEAU RESOURCES INC.

Statements of Changes in Shareholders' s Equity

Years ended December 31,2022 and 2021

	2022	2021
Transactions with shareholders, recorded directly in equity:		
Share capital		
Balance, beginning of year	\$ 57,156,334	\$ 56,089,667
Issue of common shares (note 12)	437,500	533,333
Issue of flow-through shares (note 12)	500,000	533,334
Options exercised	12,500	--
Balance, end of year	58,106,334	57,156,334
Contributed surplus:		
Balance, beginning of year	3,386,476	3,149,366
Share-based payments under the option plan (note 13)	43,726	237,110
Balance, end of year	3,430,202	3,386,476
Deficit:		
Balance, beginning of year	(33,088,126)	(32,099,691)
Net loss and comprehensive loss for the year	(2,503,810)	(968,605)
Equity financing expense	--	(19,830)
Balance, end of year	(35,591,936)	(33,088,126)
Total shareholders' equity, end of year	\$ 25,944,600	\$ 27,454,684

See accompanying notes to financial statements.

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

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 West Crémazie Boulevard, Suite 403, Montréal, Québec H2P 2T1.

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, 2022, the Company incurred a net loss of \$2,503,810 (2021 \$968,605) and had negative cash flows from operations of \$1,083,824 (2021 \$914,806). In addition, the Company had an accumulated deficit of \$35,591,936 at December 31, 2022 (2021 - \$33,088,126). Further, management expects that the working capital (currents assets less current liabilities) 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 2023 calendar year exploration budget. Consequently, the Company will need to obtain additional financing in 2023. 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

Years ended December 31, 2022 and 2021

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. The 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, 2023.

3. Basis of preparation:

(a) Basis of measurement:

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

- Share-based compensation transactions, which are measured at fair value at grant date pursuant to IFRS 2, *Share-Based Payment*;
- Lease liabilities, which are measured at the present value of minimum lease payments at the commencement date pursuant to IFRS 16, *Leases*;
- The liability for flow-through shares which is recorded at fair value at the date of the financing announcement; and
- The investment, which is recorded at fair value through profit and loss at each reporting period.

(b) Functional and presentation currency:

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

(c) Use of estimates and judgments:

The preparation of the 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.

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

3. Basis of preparation (continued):

(c) Use of estimates and judgments (continued):

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.

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,

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

4. Significant accounting policies (continued):

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

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 and the investment which is categorized and measured at FVTPL based on prices on the stock exchange on the relevant valuation date. 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

Years ended December 31, 2022 and 2021

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.

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

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

4. Significant accounting policies (continued):

Non-financial assets (continued):

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.

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

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

4. Significant accounting policies (continued):

(e) Share capital and warrants (continued):

Flow-through shares (continued):

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.

(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

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

4. Significant accounting policies (continued):

(g) Revenue from contracts with customers (continued):

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% (2021 - 16%) applicable on 50% of the eligible expense.

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.

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

4. Significant accounting policies (continued):

(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.

(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.

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

4. Significant accounting policies (continued):

(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.

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.

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

4. Significant accounting policies (continued):

(n) Leases (continued):

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 pro 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

Years ended December 31, 2022 and 2021

5. Tax credits and other receivables:

	2022	2021
Sales taxes	\$ 116,262	\$ --
Other	12,532	26,294
	<u>\$ 128,794</u>	<u>\$ 26,294</u>

6. In-trust deposits:

At as December 31, 2022, the Company had an in-trust deposit of \$339,000 (2021 - \$339,000) 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:

	2022	2021
Cost		
Balance, beginning of year	\$ 273,890	\$ 273,890
Balance, end of year	<u>\$ 273,890</u>	<u>\$ 273,890</u>
Accumulated depreciation		
Balance, beginning of year	\$ 75,375	\$ 64,419
Depreciation	10,954	10,956
Balance, end of year	<u>\$ 86,329</u>	<u>\$ 75,375</u>
Carrying amount		
Balance, end of year	<u>\$ 187,561</u>	<u>\$ 198,515</u>

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

8. Mining properties and exploration and evaluation assets:

Mining properties:

	2022		
	Balance, beginning of year	Impairment (note 8 (i))	Balance, end of year
Rouyn	\$ 2,570,940	\$ --	\$ 2,570,940
Scott Lake	774,235	--	774,235
Lemoine	270,492	--	270,492
Selbaie West	63,369	(63,368)	1
Estrades-Caribou	167,672	(167,671)	1
	\$ 3,846,708	\$ (231,039)	\$ 3,615,669

	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

Exploration and evaluations assets:

	2022			
	Balance, beginning of year	Additions	Impairment (note 8 (i))	Balance, end of year
Rouyn ^(a)	\$ 13,379,397	\$ 7,293	\$ --	\$ 13,386,690
Beschefer ^(b)	959,121	138,871	--	1,097,992
Kistabiche ^(c)	203,714	3,095	--	206,809
Scott Lake ^(e)	4,804,842	1,172,187	--	5,977,029
Lemoine ^(f)	992,700	1,860	--	994,560
Selbaie West ^(d)	332,639	1,082	(333,720)	1
Estrades-Caribou ^(g)	1,238,056	1,645	(1,239,700)	1
Gemini ^(c)	2,505	--	--	2,505
Turgeon ^(c)	387	--	--	387
Allard ^(c)	1,859	1,298	--	3,157
Landrienne ^(h)	4,466	91,509	--	95,975
	\$ 21,919,686	\$ 1,418,840	\$ (1,573,420)	\$ 21,765,106

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

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

Exploration and evaluations assets (continued):

	2021			
	Balance, beginning of year	Additions	Payment received (note 8 (a))	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

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 74 mining claims. Nine of the 74 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 had an option to acquire a 100% interest in the Rouyn property in Québec, Canada.

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

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

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

Exploration and evaluations assets (continued):

a) Rouyn Property (continued):

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.

In addition to the final cash payment, Yorbeau would 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 was the operator and project manager of the Rouyn property during the option period. Yorbeau was represented on a technical committee that oversee the work program.

The agreement also stipulated that IAMGOLD may engage Yorbeau to perform exploration work on the Rouyn property in exchange for reimbursement of Yorbeau's costs plus 10% administration fee. During the year ended December 31, 2022, Yorbeau recognized \$596,841 (2021 - \$820,893) 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 of \$2,250,000 received in prior years have been recognized as a reduction of the Rouyn exploration and evaluation assets.

On December 18, 2022, the Company announced that IAMGOLD Corporation terminated its option to purchase a 100% interest in Yorbeau's Rouyn property under the definitive option agreement between Yorbeau and IAMGOLD dated December 14, 2018.

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

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

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

Exploration and evaluations assets (continued):

b) Beschefer property (property):

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 the 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.

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 kilometers north of La Sarre in Abitibi region of Quebec, more specifically in the Laberge and Casa-Berardi townships. The property consists of 350 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 favor of a third party;
- Yorbeau has a 37.5% interest in the Gemini property with the remaining interest 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 favor of another third party. IAMGOLD is currently the operator of the joint venture.

The Joutel- Explo Zinc property results from the merging of three mining properties: Kistabiche, Bonfortel and Poirier. It is located 135 kilometers north of Amos in the Abitibi region of Quebec, 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 favor 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 kilometers north of Amos in the Abitibi region of Quebec, 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.

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

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

Exploration and evaluations assets (continued):

d) Selbaie West:

Yorbeau owns a 100% interest in the Selbaie West property, which is located in the Carheil and Brouillan townships in Quebec. The property consists of 105 claims, 100 of which are subject to a right of return in favor 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 said back-in right.

e) Scott Lake:

Yorbeau owns a 100% interest in the Scott Lake property, which is composed of three (3) claim blocks totalling 118 claims located in the Scott, Lévy and Obalski townships in Quebec. Some of these claims are subject to production royalties to third parties, as follows:

- Ouje block: These 5 claims were assigned to Tomagold Inc. in return for 1,500,000 shares of Tomagold Inc. worth \$75,000 at the date of the transaction, plus a 2% NSR royalty of which 1% is redeemable for \$1 million. These shares are classified as financial assets at FVTPL and the value as at December 31 2022 is \$52,500. The Company recognized a gain on sale of \$75,000 and an unrealized loss on the investment of \$22,500 in the statement of loss and comprehensive loss.
- Scott-Diagold block: These claims are subject to a 1% NSR royalty in favor 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 recoverable from payments payable to 1948565 described in the

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

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

e) Scott Lake (continued):

subparagraph above and are recorded in the statements of comprehensive loss under *Mining property management fees*.

(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 Quebec. Yorbeau has a 79.30% interest in the Lemoine property, with the remaining 20.70% interest held by First Quantum. Some claims of this property are subject to a 2% NSR royalty and to 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 Quebec. 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;

(g) Estrades-Caribou (continued):

West Caribou block (73 claims): 100% interest owned by Yorbeau.

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 52 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;

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

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

(h) Landrienne (continued):

- 14 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 Dome, an additional 0.5% NSR royalty in favor of Brindle Investment Ltd. and an additional 1% NSR royalty in favor of Inmet.

(i) Impairment:

During the year ended December 31, 2022, the Company tested for impairment certain mining properties and exploration and evaluations assets for which there were indications that their carrying amounts may not be recoverable. The impairment related to the two mining properties being Selbaie West and Estrades-Caribou. Given the Company's stage of development, available resources, and the early stages of exploration for these properties, substantive expenditure of further exploration and evaluation activities is neither budgeted nor planned in the near term. As such, the estimated recoverable amounts were determined to be below the carrying amount of the assets.

Impairment losses of \$1,804,459, of which \$397,088 related to Selbaie West and \$1,407,371 related to Estrades-Caribou, were recognized in the statement of loss and comprehensive loss and were applied against the following:

Mining properties	\$231,039
Exploration and evaluations assets	\$1,573,420

9. Trade and other payables:

	2022	2021
Trade	\$ 83,290	\$ 72,172
Other payables	77,391	44,188
	\$ 160,681	\$ 116,360

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.

YORBEAU RESOURCES INC.

Notes to Financial Statements

Years ended December 31, 2022 and 2021

10. Provisions (continued):

The Company anticipates total restoration costs in relation to the aforementioned regulations of \$279,000 (2021 - \$279,000) for the Astoria site and \$60,000 (2021 - \$60,000) 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.

11. Loan:

Consists of a term loan of \$60,000 (2021 - \$60,000) 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.

The 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.

12. Share capital:

Authorized:

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

Changes in shares during the period as follows:

		2022		2021	
	Number of shares	\$	Number of shares	\$	
Balance, beginning of year	390,902,616	57,156,334	364,235,936	56,089,667	
Shares issued					
Options exercised (note 13)	500,000	12,500	--	--	
Private placement					
common shares	12,500,000	437,500	13,333,340	533,333	
flow-through shares	12,500,000	562,500	13,333,340	666,667	
Liability related to					
flow-through shares	--	(62,500)	--	(133,333)	
Balance, end of year	416,402,616	58,106,334	390,902,616	57,156,334	

Flow-through shares issuance:

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

YORBEAU RESOURCES INC.

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Years ended December 31, 2022 and 2021

12. Share capital:

Flow-through shares issuance (continued):

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.

On August 9, 2022, the Company completed a private placement. The Company issued a total of 12,500,000 flow-through shares at a price of \$0.045 per share and 12,500,000 common shares at a price of \$0.035 per share for gross proceeds of \$1,000,000.

The carrying amount of the flow-through shares is presented net of the liability related to flow-through shares of \$62,500 which was recognized at the time of issuance.

13. Share option plan:

As at December 31, 2022, 13,983,334 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.

The option plan provides that directors shall determine, in 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.

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 per option for a total value of \$34,415. The fair value measurement assumptions used at the share option plan grant date were as follows:

Risk-free interest rate	1.8%
Expected service life	5 years
Expected volatility	130%
Share price on grant date	\$0.05

YORBEAU RESOURCES INC.

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13. Share option plan (continued):

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

	2022		2021	
	Number of share options	Average weighted exercise price	Number of share options	Average weighted exercise price
Balance, beginning of year	13,050,000	\$ 0.05	12,550,000	\$ 0.05
Granted	--	--	800,000	0.05
Expired	(1,100,000)	0.046	(300,000)	0.10
Forfeited	(550,000)	0.055	--	--
Exercised	(500,000)	0.025	--	--
Balance, end of year	10,900,000	\$ 0.049	13,050,000	\$ 0.05
Options exercisable, end of year	10,250,000	\$ 0.049	8,750,000	\$ 0.048

As at December 31, 2022, the following options were outstanding:

- 2,275,000 options at \$0.035 per share until June 14, 2023;
- 500,000 options at \$0.055 per share until June 14, 2023
- 625,000 options at \$0.04 per share until July 11, 2023;
- 500,000 options at \$0.03 per share until February 14, 2024.
- 1,000,000 options at \$0.06 per share until June 17, 2025;
- 4,200,000 options at \$0.055 per share until July 12, 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

YORBEAU RESOURCES INC.

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Years ended December 31, 2022 and 2021

14. Income tax:

Income tax recovery differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.5% (2021 - 26.5%) as a result of the following:

	2022	2021
Loss before income taxes	\$ (2,503,810)	\$ (968,605)
Tax using the Company's domestic tax rate	(663,509)	(256,681)
Non-deductible share-based payments	11,587	62,834
Change in unrecognized deferred tax assets	178,481	58,572
Tax expense related to flow-through share deduction	375,993	145,851
Permanent difference arising from non-taxable flow-through shares	(51,357)	(10,506)
Adjustment for prior years	148,805	(70)
	\$ --	\$ -

As at December 31, 2022, the Company had exploration expenditures and other costs of approximately \$25,363,000, which are being carried forward for income tax purposes indefinitely and may be deducted from future taxable income. The Company also had \$22,972,000 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:

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14. Income tax (continued):

2025	\$	340,000
2026		469,000
2027		1,229,000
2028		1,648,000
2029		1,765,000
2030		2,015,000
2031		1,873,000
2032		1,685,000
2033		1,631,000
2034		1,313,000
2035		775,000
2036		905,000
2037		1,208,000
2038		1,167,000
2039		1,215,000
2040		972,000
2041		1,186,000
2042		752,000
2043		824,000
Total	\$	22,972,000

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:

	2022	2021
Operating loss	\$ 6,049,344	\$ 5,827,163
Share issuance costs	7,712	14,424
Equipment	137,073	138,312
Mining properties	592,842	597,913
Exploration and evaluation assets	(737,145)	(706,075)
Provision	89,835	89,835
Unrecognized deferred tax assets	\$ 6,139,661	\$ 5,961,572

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14. Income tax (continued):

The components of the net deferred income tax liability are as follows:

	2021	Recognized in profit or loss	2022
Deferred income tax assets:			
Non-capital loss carry forwards	\$ 706,075	\$ 31,070	\$ 737,145
Deferred income tax liability			
Exploration and evaluation assets	(706,075)	(31,070)	(737,145)
	\$ --	\$ --	\$ --

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. In addition, the Company committed to carrying 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, 2022, the Company had incurred such eligible expenditures.

The Company has committed to carry out \$562,500 in eligible exploration and evaluation work prior to December 31, 2023, related to the flow-through financing completed on September 30, 2022. As at December 31, 2022, the Company has incurred eligible expenditures of \$116,958 in respect of this financing and, therefore, retains a commitment of \$445,542.

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.

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16. Administrative expenses:

	2022	2021
Salaries	\$ 261,375	\$ 226,850
Fees	297,631	269,634
Investor relations	103,393	58,573
Rent	23,876	26,863
Insurance	19,925	17,804
Depreciation of right-of-use assets	17,948	16,929
Miscellaneous	135,076	131,941
	<u>\$ 859,223</u>	<u>\$ 748,594</u>

17. Chibougamau building expenses:

	2022	2021
Depreciation	\$ 10,955	\$ 10,956
Taxes, licences and fees	8,462	8,056
Heating	7,743	6,290
Property maintenance	4,259	3,450
Insurance	1,765	1,719
Miscellaneous	2,801	3,270
	<u>\$ 35,985</u>	<u>\$ 33,741</u>

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Notes to Financial Statements

Years ended December 31, 2022 and 2021

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.

(b) Interest rate risk:

The cash bears 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. See note 1.

The following table summarizes the contractual maturities of the Company's financial liabilities at December 31, 2022:

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

(c) Liquidity risk (continued):

	2022			
	Carrying amount	1 year	Within 2 to 5 years	Over 5 years
Trade and other payables	\$ 160,682	\$ 160,682	\$ --	\$ --
Loan	60,000	60,000	--	--
Leases	17,784	17,242	542	--
	\$ 238,466	\$ 237,924	\$ 542	\$ --

(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.

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.

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20. Related party transactions:

Transactions with key management personnel

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

	2022	2021
Short-term employee benefits	194,000	133,539
Share-based payments	43,726	237,110
	<u>\$ 237,726</u>	<u>\$ 370,649</u>

In connection with the private placement that closed on December 9, 2021, five insiders of the Company purchased a total of 16,772,330 common shares for total proceeds of \$754,750. 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 August 9, 2022, five insiders of the Company purchased a total of 9,125,000 common shares for total proceeds of \$410,625. The terms and conditions offered to the related parties in this transaction are identical to those offered to non-related common Shareholders.

Other related party transactions:

A property in the statement of financial position is encumbered with a royalty of \$50,000 per annum (2021 – \$50,000) payable to Société Minière Alta Inc., a corporation controlled by a director of Yorbeau. The definitive Option Agreement stipulated that IAMGOLD was liable to pay the royalty of \$50,000 per annum to Société Minière Alta Inc. (note 8 (a)). During the year ended December 31, 2022, IAMGOLD made the \$50,000 payment.

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.

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

The following table shows the change in the Company's right-of-use during the period:

	2022	2021
Right-of-use assets, beginning of year	\$ 34,251	\$ 26,051
Additions	--	25,129
Depreciation expense with respect to right-of-use assets	(17,948)	(16,929)
Right-of-use assets, end of year	\$ 16,303	\$ 34,251

The following table shows the change in the lease liabilities of the Company during the period:

	2022	2021
Lease liabilities, beginning of year	\$ 35,500	\$ 27,369
Additions	--	25,129
Lease liability payments, including related interest	(20,300)	(19,177)
Interest expense with respect to lease liabilities	2,584	2,179
Lease liabilities, end of year	\$ 17,784	\$ 35,500
Current portion	\$ 17,242	\$ 17,716
Non-current portion	542	17,784

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