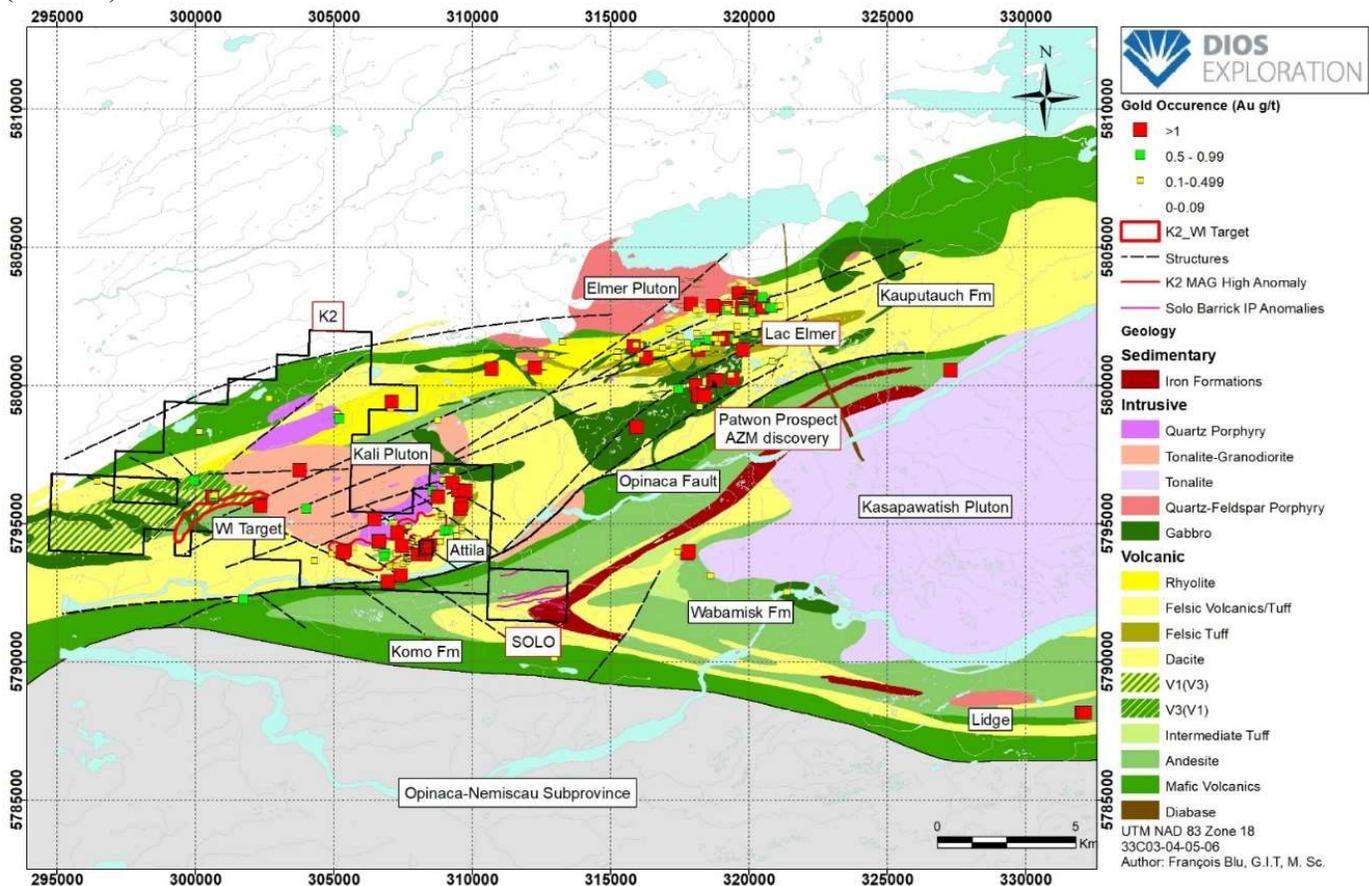




DIOS
EXPLORATION

DIOS EXPLORATION INC.
ANNUAL MANAGEMENT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

This Management Discussion and Analysis dated April 26, 2021 provides an analysis of operations and financial position of Dios Exploration Inc. (the “Company” or “Dios”) for the year ended December 31, 2020. This discussion and analysis of the financial position and results of operation should be read in conjunction with Dios’s audited financial statements for the year ended December 31, 2020 and December 31, 2019. These audited financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”)



Our report contains «forward-looking statements» not based on historical facts. Forward-looking statements express, as of the date of this report, our estimates, forecasts, projections, expectations and opinions as to future events or results. Forward-looking statements herein expressed are reasonable, but involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to, fluctuations in the market price of precious metals, mining industry risks, uncertainty as to calculation of mineral reserves and requirements of additional financing and the capacity of the Company to obtain financing.

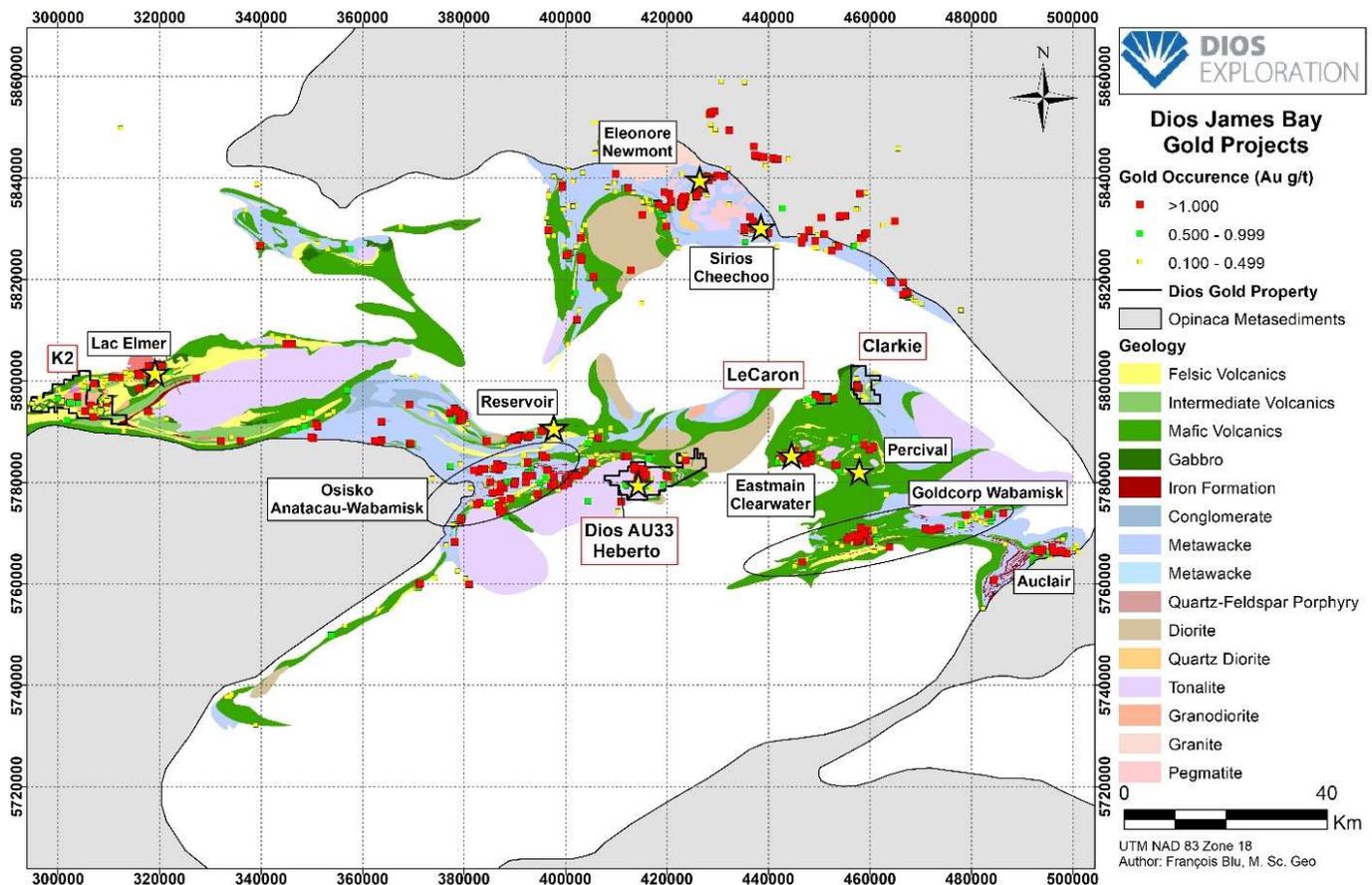
ABOUT DIOS

Dios focuses on gold exploration in James Bay Eeyou Istchee, Quebec. Wholly-owned K2 gold-copper-silver project without any royalties is located directly SW in strike of Azimut's Elmer gold discovery. Very significant results were obtained on K2 project with Kali eastern targets and west input WI gold targets, west of Kali intrusive

Dios is involved in mineral exploration along a major James Bay deformation zone through proprietary glacial till sampling defining gold dispersal trains. Successful drilling of large AU33 gold property led to HEBERTO GOLD discovery and 4 km NNE, to successful drilling of CLN area and, a further 4-5 km east of CLN, to WTS gold drilling discovery.

Gold in outcrop was thus discovered by Dios on Clarkie & Le Caron gold projects, along Newmont Eleonore gold mine - Cheechoo corridor. Gold in outcrop and by drilling was also discovered by Dios 6 km northwest of the Eastmain gold mine on its 33 Carats property, farmed out in 2020.

Dios' shares are traded on TSX Venture Exchange under DOS symbol and 101,207,066 shares were issued and outstanding at the end of 2020. Additional information may be available through www.sedar.com web site, under the Company's section "Sedar filing" or at www.diosexplo.com.



RESULTS OF OPERATION

Summary of exploration activities

During the year ended December 31, 2020, the Company incurred \$1,204,655 in exploration expenses compared to \$760,595 for the same period in 2019.

Exploration Expense Analysis

| Description | AU33 | K2 | Clarkie | Autres | Total |
|-------------------------|---------------|------------------|---------------|---------------|------------------|
| | \$ | \$ | \$ | \$ | |
| Geology | 20 501 | 226 571 | 12 763 | 24 837 | 284 672 |
| Geophysics | - | 89 563 | - | - | 89 563 |
| Transportation, lodging | - | 443 832 | - | - | 443 832 |
| Drilling | 1 333 | 373 184 | - | - | 374 517 |
| Office and other | 905 | 11 166 | - | - | 12 071 |
| | <u>22 739</u> | <u>1 144 316</u> | <u>12 763</u> | <u>24 837</u> | <u>1 204 655</u> |

K2 Drilling does not include assays as they were undertaken later in 2021. **Transportation, lodging** includes \$373,068 related to late Fall drilling and \$70,764 of helicopter costs related to **Geophysics**. Helicopterborne drilling costs are \$ 297 per drilled meter.

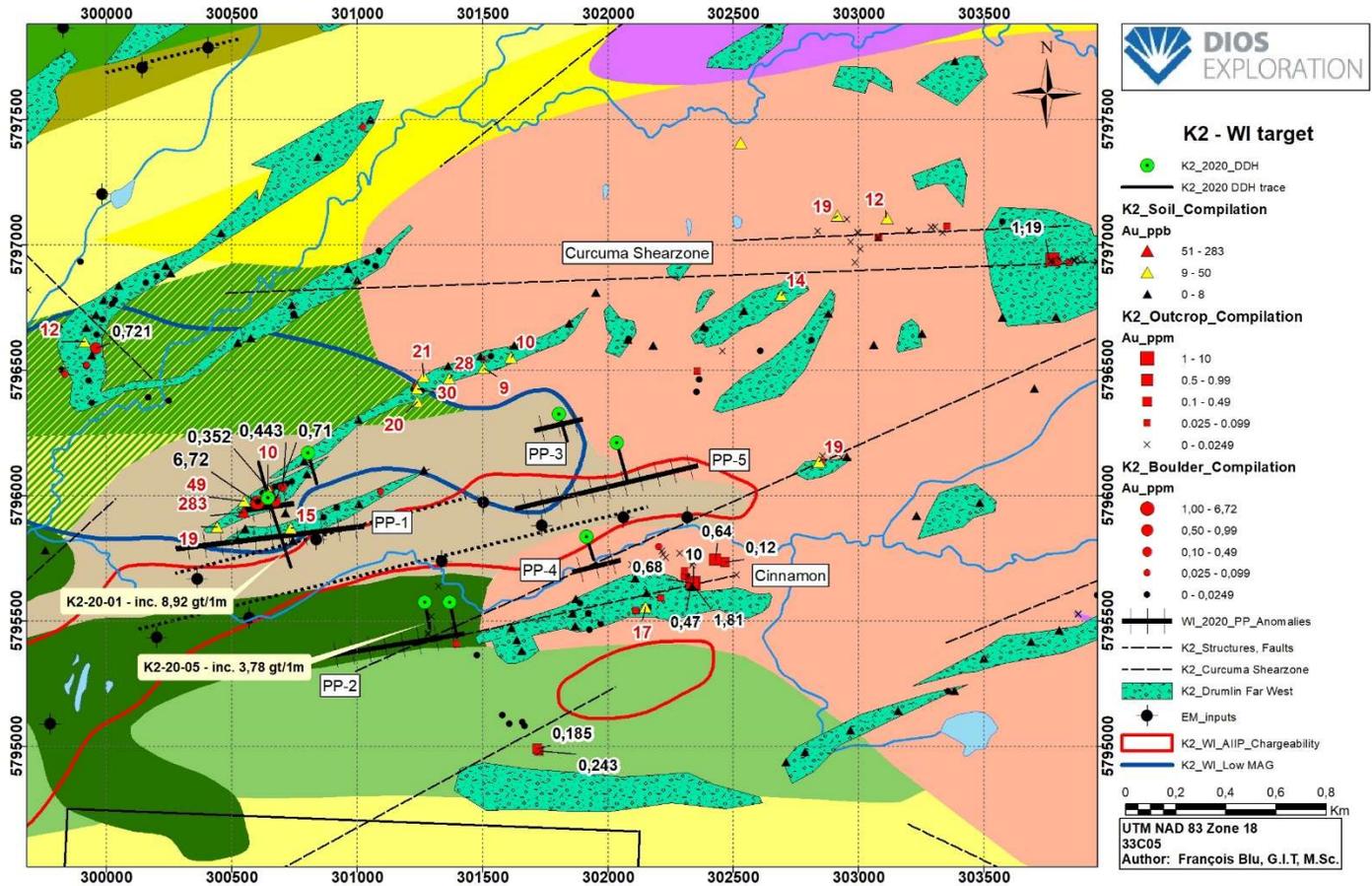
Geological information presented herein was prepared by Marie-José Girard P. Geo M.Sc., qualified person pursuant to National Instrument 43-101.

K2 gold project

Wholly-owned **K2 gold project** directly borders to the west-southwest **Azimut's Elmer gold property** hosting **Patwon gold discovery**, along same trend of Opinaca River deformation Zone, an underexplored part of the Lower Eastmain Greenstone belt, James Bay Eeyou-Istchee, Quebec.

K2 covering 85 sq. km around Kali pluton was for the first time ever drilled in late 2020 (ten holes totalling 2509.4 meters). Due to lab delays, assays were undertaken in 2021 at ALS laboratory, Val d'Or, QC.

K2 geology is favourable for VMS (Volcanic Massive Sulfides) and Windfall-type gold mineralization. **K2** hosts an Archean volcanic sequence injected by felsic porphyry plugs and dykes wrapped around Kali synvolcanic tonalite pluton. Having identified a dozen electromagnetic anomalies prospective for low sulfide content and extents in mixed volcanics, late 2019 and winter 2020 research **confirmed potential of non-outcropping WI-Target**, a possible gold-silver-copper VMS mineralized system (telescoped Doyon/Westwood +/-Bousquet-type). During summer 2020, a ground induced polarization survey was completed on that 3 km long prospective electromagnetic conductor (Dipole-dipole and pole-dipole arrays).



Good gold-in-soil anomalies (up to 283 ppb Au in B-horizon) coupled with cm-m sericite & silicified dacite floats (volcanic with 2-10% sulfide & quartz stringers (up to 6.72 g/t gold) are hosted in glacial drumlins directly adjacent to 3 km-long input electromagnetic airborne IP conductor and PP-1 ground IP anomaly.

About **200 m SE of WI-Target**, the cinnamon showing within Kali Tonalite yielded 10 g/t gold, 1.81, 0.68, 0.62, 0.47 g/t Au in a shear of same orientation as WI-Target, confirming strong potential of adjacent underexplored western intrusion-volcanic contact.

Two parallel gold-bearing zones were discovered by drilling this area. On PP-1 ground anomaly, 1.5 km west of Kali intrusive, a poorly outcropping area, hole 01 intersected **medium-coarse grained tonalite-diorite grading 8.92 g/t gold over 1 m (352-353m) in contact with a strongly foliated mafic dyke** with 0.5% pyrite-pyrrhotite disseminated in foliation. It is open in all directions and seems associated with the hanging wall of a significant resistivity anomaly, at the contact between a high and low magnetic area. Hole 03, located 200 m northeast, cut 0.5 g/t gold/1m (183-184m) in another such IP horizon, but also **no volcanic rocks that could be the source of soft & crumbly mineralized/sericitic dacite boulders grading up to 6.72 g/t gold in the WI target area**. Good NE up-ice targets such as Good NE up-ice targets such as:

1.) the significant 10 - 20 meters large goldbearing Curcuma shear zones, grading as of now gold in outcrop such as 1.12 g/t Au and

2.) the southern contact between Kali pluton and adjacent volcanics (along enriched gold-in-till drumlin feature) remain untested. So further soil and rock sampling and IP survey is warranted in that NE area to define further drill targets.

And a second gold zone, located 800 m south-east of hole 01, was drill discovered in wider WI TARGET area (8 holes over 1.5 by 1 km). More precisely on **PP-2 anomaly**, hole 05 hit an intercept of **3.78 g/t gold over 1 m** related to **feldspar diorite & foliated gabbro contact and 0.5 percent pyrite** (129-130 m). PP-2 gold intercept is in same strike as cinnamon showing returning 10 g/T gold in outcrop in a shear of same direction.

On PP-3 ground IP anomaly, hole 07 cut sections of fractured and sheared gabbro with 1% pyrrhotite & traces of chalcopyrite (48.30-57.00m; 82.75-91.25m). On the IP-4 ground anomaly, hole 08 intersected several foliated basic dykes (1-6.3m thick) hosting 2-4% quartz-carbonate stringers with 1% pyrite within 10-20 meters intervals of fractured tonalite. Another foliated & fractured section (143-165.50m) of biotitized tonalite hosted 2% quartz-carbonate stringers & 1% pyrite.

K2-Solo claim block without any royalties covers 85 sq. km. Several other areas of K2-Solo gold property warrant further ground investigations, prospecting and drilling.

The Attila gold-copper showing is hosted in fractured rhyodacite dome overlying Kali quartz-diorite/tonalite porphyry to the south, 7 km east of WI-Target tonalite contact. It is a chalcopyrite-rich stringer/ stockwork over 75 m long by 5-15 m wide yielding up to 8.08 g/t gold, 96.7 g/t Ag, 2.43% Cu & 0.17% Zn.

The Attila Zone averaged grades of 1.07 g/t Au, 38.8 g/t Ag, 1.25% Cu & 0.01% Bi from 13 grab samples (see 2017 releases). Approximately 100 m north, a plurimetric sub-parallel horizon (Attila-N) extending over 50 m long with narrow quartz-carbonate-pyrite veins returned five samples greater than 1.0 g/t Au (up to 3.64 g/t Au & 26.7 g/t Ag). Previous gold (9-21, 114 ppb Au)-copper (over 75 ppm Cu)-zinc (over 70 ppm Zn) soil anomalies are coincidental with Attila mineralized area.

In early February 2021, partner on Solo SE claim block, southeast of Attila, did not pursue its option agreement and Dios recovered whole Solo claim block. Dios is planning drilling center Solo in late 2021 early 2022 on strong IP anomalies related to gold-in-soil anomalies, as well as major field campaign during summer 2021.

Proposed 2021 K2-Solo budget (summer and autumn):

| | |
|---|--------------------|
| 1-Helicopterborne mapping operations/prospecting (12-14 days/4geo x \$8,000 /day) | |
| | \$100,000-110,000. |
| 2-Helicopterborne drilling operations..... | \$750,000. |
| Total..... | \$850,000-860,000. |

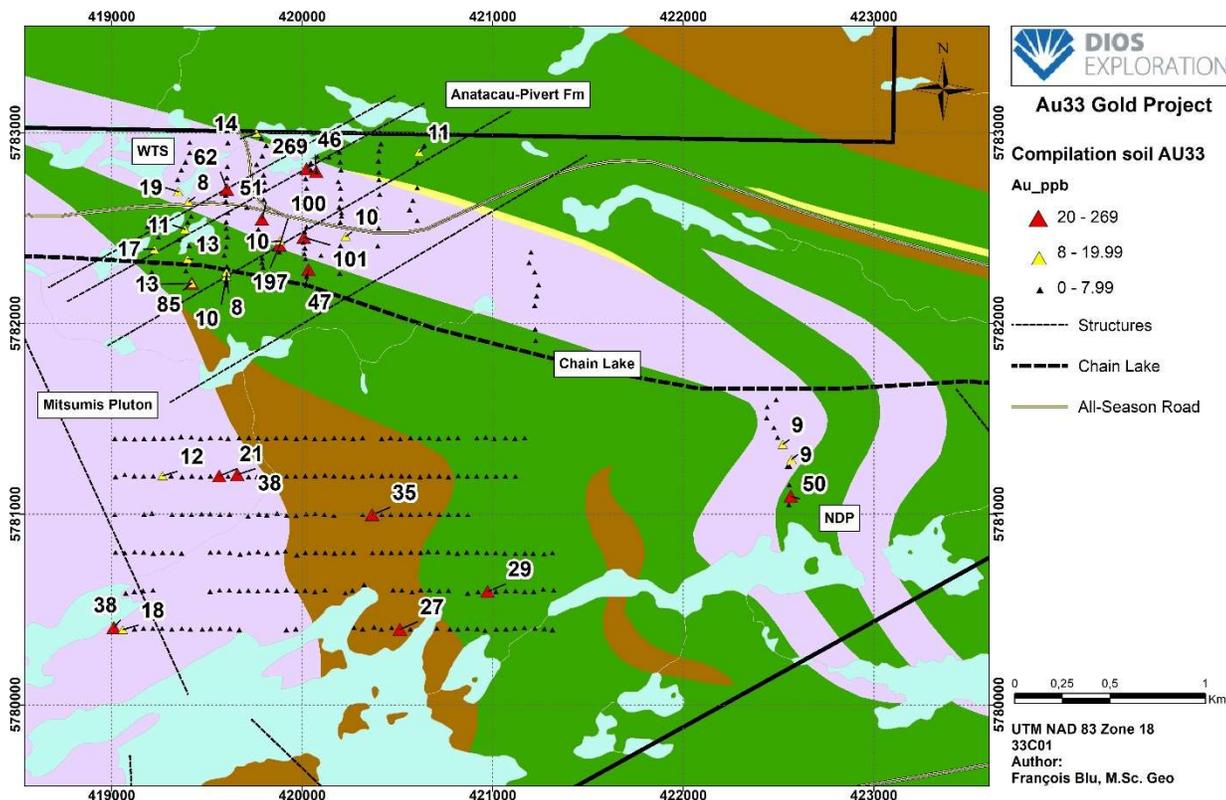
AU 33 gold project

Dios is involved in mineral exploration along a major James Bay deformation zone through proprietary glacial till sampling defining gold dispersal trains. Such research work led to the discovery of major AU33 goldbearing dispersal train over 20 km long. Successful drilling of large AU33 gold property led to HEBERTO GOLD discovery and 4 km NNE, to successful drilling of CLN area and, a further 4-5 km east of CLN, to WTS gold drilling discovery.

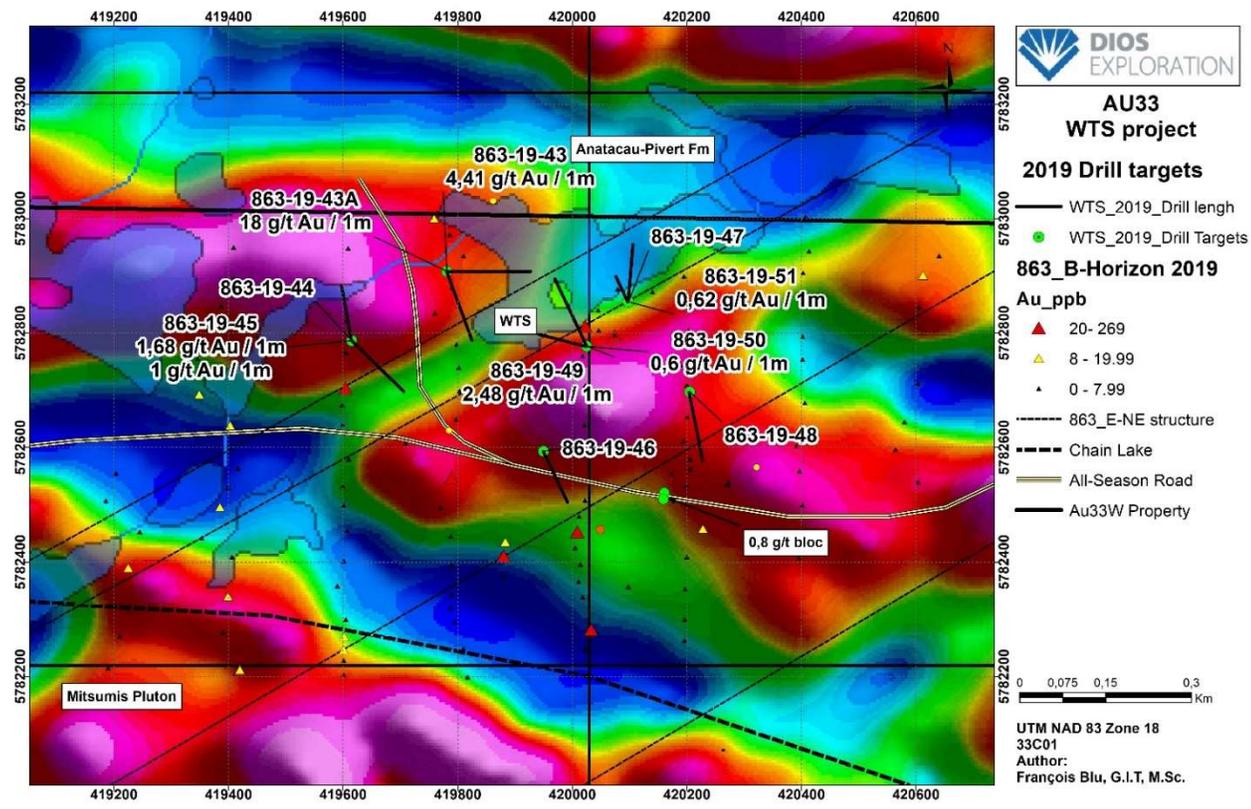
Dios received results in 2020 from drilling AU33 gold project in late 2019, targeting WTS gold-in-soil anomalies at the very end of 2019: winter 2020 results returned significant gold values in this virgin AU33 area, up to 18 g/t gold over 1 m

Drilling in **WTS area** returned significant results, up to 18 g/t gold over 1 m (6.08 g/t gold / 3 m) in **Quartz-carbonates-chalcopyrite-pyrite veinlets in foliated magnetic basalt** and 4.41 g/t gold over 1 m in another hole (100 m apart). Dios drilled ten exploratory 100-150m holes, often 200 m apart, up-ice of strong gold-in-till values in this non outcropping area : see map.

Poorly outcropping **WTS magnetic horizon** was soil sampled in 2018-2019: gold anomaly clusters discovered (8 to 269 ppb gold) near two northeast low magnetic structures cut through 300-350 m wide magnetic WTS horizon. No goldbearing outcrop is known in WTS, 8 km NE of HEBERTO gold zones.



Sampling of this horizon fold nose a further few km east returned significant values of 50, 9 and 9 ppb gold in B horizon. Fold noses and hinges are good areas to concentrate gold. Follow-up B soil horizon sampling is planned for summer 2021, and follow-up drilling if warranted. This area is located at the head of the major Au33 gold dispersal train.



Proposed 2021 AU33 Budget (summer):

- Au33 geological mapping-prospecting and soil sampling Horizon B: 2-3 days x \$10,000/day = \$20,000-30,000

Proposed 2021 Clarkie Budget (summer):

- Geological mapping, prospecting and channel sampling- Wacky and Silly: 2-3 days x \$10,000/day (helicopterborne operation, all included + analysis) = \$20,000-30,000

Proposed 2021 14 Karats Budget (summer):

- Geological mapping, prospecting and soil sampling of B Horizon: 8-10 days x \$10,000/day (helicopterborne operation, all included + analysis) \$100,000-110,000

Summary of planned exploration programs for 2020 and results

| PROJECTS | PLANNED WORK | BUDGET (\$) | RESULTS (\$) |
|----------|----------------------------------|-----------------|--------------|
| K2 | Geology, geophysics and drilling | 820,000-900,000 | 1,144,316 |
| AU33 | Soil sampling and mapping | 85,000 | 22,739 |
| CLARKIE | Soil sampling and mapping | 73,000-85,000 | 12,763 |

Differences are explained as follows:

| | |
|---------|---|
| K2 | More drilling added to drilling plans in 2020 |
| AU33 | Work postponed to 2021 |
| CLARKIE | Work postponed to 2021 |

OPERATION RESULTS AND SELECTED ANNUAL INFORMATION

Net loss for the year is \$16,899 (net profit of \$41,483 for 2019) whereas operating expenses for the year totalled \$177,927 (\$127,616 for 2019).

| | As at December 31, 2020 \$ | As at December 31, 2019 \$ |
|--|-------------------------------|-------------------------------|
| Net profit (loss) | (16,899) | 41,483 |
| Operating Loss | (177,927) | (127,616) |
| Write-off of exploration and evaluation assets included in Expenses | - | 2,198 |
| Gain on disposal of exploration and evaluation assets included in Expenses | (6,003) | - |
| Share-based payments included in Expenses | 69,938 | 9,335 |
| Expenses without write-off, gain on disposal and Share-based payments | 113,992 | 116,083 |
| Net profit (loss) per share (basic and diluted) | (0.000) | 0.001 |
| Total assets | 6,298,654 | 3,254,825 |

Net loss and expenses

2020 compared to 2019

- Increase of stock-based payments (non-cash item) from \$9,335 to \$69,938.
- Deferred income taxes (non-cash item) recovered of \$129,400 in 2020 compared to \$159,856 last year.

- No write-off of exploration and evaluation assets in 2020 compared to \$2,198 in 2019 (Shipshaw and Autish properties).
- From 2019 to 2020, taking into account the items that do not require an exit or a cash inflow, the expenses did not vary much.

2019 compared to 2018

- Decrease of stock-based payments (non-cash item) from \$47,996 to \$9,335;
- Deferred income taxes (non-cash item) recovered of \$159,856 resulting in a net profit for the year;
- Write-off of exploration and evaluation assets of \$2,198 in 2019 (Shipshaw and Autish properties) compared to nothing in 2018.
- From 2018 to 2019, taking into account the items that do not require an exit or a cash inflow, the expenses did not vary much.

Total assets

2020 compared to 2019

- Exploration and evaluation assets:
 - Acquisition and claim renewal costs of \$50,488;
 - Exploration expenses of \$1,204,655;
 - Tax credit receivable at the end of 2020 of \$79,638;
- Three private placements totaling \$2,150,800 were closed in 2020.
- Funds provided from the exercise of options and warrants totaled \$652,694.
- 33Carats and Solo claim block properties were optioned by third parties.

2019 compared to 2018

- Exploration and evaluation assets:
 - Acquisition and claim renewal costs of \$9,819;
 - Exploration expenses of \$760,595;
 - No tax credit receivable at the end of 2019;
- One private placement totaling \$193,950 was closed in 2019.

SUMMARY OF QUARTERLY RESULTS

| | 2020 | | | | 2019 | | | |
|---|-------|---------|---------|---------|-------|-------|---------|---------|
| (\$ 000 except loss/share) | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Income | 5 | 4 | 2 | 1 | 2 | 2 | 3 | 2 |
| Net earnings (Net loss) | 57 | (11) | (25) | (38) | 61 | 19 | - | (39) |
| Net earnings (net loss) per share (basic and diluted) | 0.000 | (0.000) | (0.000) | (0.000) | 0.001 | 0.001 | (0.000) | (0.001) |

Variations in quarterly loss (income) can be explained by the following:

| | |
|----------------|---|
| 2020-Q4 | Deferred income taxes recovered (non-cash item) of \$92,430. Stock-based compensation of \$32,979. Government assistance of \$ 20,000 recognized as at December 31, 2020 relating to the Canada Emergency Business Account. |
| 2020-Q3 | Deferred income taxes recovered (non-cash item) of \$23,613. Stock-based compensation of \$28,999. Gain on disposal of the 33Carats property of \$6,003. |
| 2020-Q2 | Increase in professional fees due to the timing of audit fees invoiced. Postponed annual meeting due to COVID-19. |
| 2020-Q1 | Finalization of the new Website. No Deferred income taxes and Stock-based compensation. No wages paid at the beginning of the year. |
| 2019-Q4 | Deferred income taxes recovered (non-cash item) of \$82,265. Write-off of the Autish and Shipshaw exploration and evaluation assets (\$2,198). |
| 2019-Q3 | Deferred income taxes recovered (non-cash item) of \$30,367. Stock-based compensation of \$1,176. |
| 2019-Q2 | Deferred income taxes recovered (non-cash item) of \$33,742. Stock-based compensation of \$2,940. |
| 2019-Q1 | Deferred income taxes recovered (non-cash item) of \$13,482. Stock-based compensation of \$5,219. Closing of private placement of \$193,950. |

FOURTH QUARTER

Highlights of the fourth quarter of 2020 are as follows:

- Exploration expenses totalling \$850,445 mainly on the K2 property.
- Administrative expenses of \$59,878 including \$32,979 in stock-based compensation.

CASH FLOW SITUATION

Working capital increased by \$1,539,956 as at December 31, 2020 going from \$30,250 as at December 31, 2019 to \$1,570,206 as at December 31, 2020. The increase is mainly due to financings completed during the year offset by exploration costs, mining right payments and administrative expenses incurred during the year.

Cash amounted to \$498,416 as at December 31, 2020 compared to \$157,743 as at December 31, 2019.

The Company is considered to be in the exploration stage, thus is dependent on obtaining regular financings to continue exploration. Despite previous successes in acquiring sufficient financing, there is no guarantee of obtaining any future financings.

As at April 26, 2021, the Company considers it will have to finance itself in 2021 to carry out planned exploration work. On December 31, 2020, the Company did not have any debts or any financial commitments for upcoming quarters except for the \$40,000 loan (Canada Emergency Business Account) payable before December 31, 2022. The product of unspent funding related to flow-through financing as at December 31, 2020 is \$63,073 to be spent before December 31, 2021

As at December 31, 2020:

- 101,207,066 Common Shares were issued.
- 4,755,000 options were outstanding and 2,367,000 can be exercised at prices ranging between \$0.10 to \$0.11 expiring between February 22, 2021 and October 22, 2025. Each option can be exchanged by its holder thereof for one Common Share of the Company.
- 9,090,000 warrants were outstanding, entitling their holders thereof to subscribe for the same number of Common Shares of the Company at a price of \$0.20 and expiring September 10, 2023.

Share capital

Variations in share capital as at April 26, 2021 are the following:

| Description | Number of shares | Amount \$ |
|---|-------------------------|-------------------|
| As at December 31, 2019 | 74,906,606 | 20,512,901 |
| Private Placements-Flow-through shares | 10,988,236 | 963,600 |
| Private Placement | 9,090,000 | 1,090,800 |
| Exercise of options | 970,000 | 136,390 |
| Exercise of warrants | 5,252,224 | 649,628 |
| As at December 31, 2020 and April 26, 2021 | 101,207,066 | 23,353,319 |

On March 4 and 13, 2020, the Company completed a non-brokered private placement. An amount of \$659,000 was subscribed consisting in 6,590,000 flow-through shares at a price of \$0.10. An amount of \$549,650 was allocated to share capital, while an amount of \$109,350 has been recorded in other liabilities in the statement of financial position. Finder's fees amounted to \$15,000, consisting in the issuance of 176,471 common shares of the Company at a price of \$0.085. On April 28, 2020, the Company completed a non-brokered private placement. An amount of \$401,000 was subscribed consisting in 4,010,000 flow-through shares at a price of \$0.10. An amount of \$380,950 was allocated to share capital, while an amount of \$20,050 has been recorded in other liabilities in the statement of financial position. Finder's fees amounted to \$18,000, consisting in the issuance of 211,765 common shares of the Company at a price of \$0.085.

On September 10, 2020, the Company completed a private placement by issuing a total 9,090,000 units at \$0.12 per unit. Each unit comprises one common share of the Company and one warrant. Each warrant entitles its holder thereof to subscribe one common share of the Company at \$0.20 during a 36-month period. An amount of \$1,090,800 was recorded to share capital. Issue costs amounted to \$68,241 including finder's fees of \$58,248.

During the exercise, 970,000 options were exercised. An amount of \$97,000 was received and an amount of \$39,390 representing the fair value of the options at the time of the issue were recorded as an increase in share capital.

During the exercise, 5,252,224 warrants were exercised. An amount of \$555,694 was received and an amount of \$93,934, representing the fair value of warrants, were recorded as an increase in share capital.

Options

Variation in outstanding options as at April 26, 2021 is the following:

| | Number | Weighted average exercise price (\$) |
|--------------------------------|------------------|---|
| As at December 31, 2019 | 2,740,000 | 0.10 |
| Granted | 2,985,000 | 0.11 |
| Exercised | (970,000) | 0.10 |
| As at December 31, 2020 | 4,755,000 | 0.11 |
| Expired | (860,000) | 0.10 |
| As at April, 26, 2021 | 3,895,000 | 0.11 |

Options granted and exercisable as at April 26, 2021:

| Expiry date | Number of options | Exercisable | Exercise price (\$) |
|-------------------|-------------------|-------------|---------------------|
| February 19, 2023 | 910,000 | 910,000 | 0.10 |
| May 26, 2025 | 995,000 | 547,250 | 0.10 |
| October 22, 2025 | 1,990,000 | 497,500 | 0.11 |
| | 3,895,000 | 1,954,750 | 0.11 |

An amount of \$69,938 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) were included in profit or loss for the reporting period ended December 31, 2020 (\$9,335 for the reporting period ended December 31, 2019) and credited to Contributed surplus.

Warrants

Variation in outstanding warrants as at April 26, 2021 is the following:

| | Number | Weighted average exercise price (\$) |
|---|------------------|---|
| As at December 31, 2019 | 5,252,224 | 0.11 |
| Issued | 9,090,000 | 0.20 |
| Exercised | (5,252,224) | 0.11 |
| As at December 31, 2020 and April 26, 2021 | 9,090,000 | 0.20 |

During the exercise, 5,252,224 warrants were exercised. A total amount of \$ 649,628 was recorded in share capital (an amount of \$ 555,694 which was received and an amount of \$ 93,934 representing the fair market value of the warrants at the time of issuance).

During the exercise, 9,090,000 warrants were issued. Each warrant allows its holder to subscribe for one common share of the Company at a price of \$ 0.20 per share for a period of 36 months.

The number of outstanding warrants which could be exercised for an equivalent of common shares is as follows:

| Expiration date | Number of warrants | Exercise price (\$) |
|------------------------|---------------------------|----------------------------|
| September 10, 2023 | 9,090,000 | 0.20 |

The 2020 financial statements of the Company were prepared in accordance with IFRS, as issued by the International Accounting Standards Board as described in Note 4 of 2020 financial statements.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Significant management judgment

Significant management judgments to be made while implementing accounting methods that are the most significant for the Company are discussed hereafter:

- (a) Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

- (b) Operating continuity

Determining whether to continue operating requires management's judgment to be able to raise or find sufficient funds for operating expenses and planned exploration programs, among others, to fulfill requirements for the coming period; such judgments are based on past expertise and other factors, including evaluation of probable future events that could be deemed reasonable in said circumstances.

Estimation uncertainty

- (a) Impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined.

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following: the period for which the Company has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the year ended December 31, 2019, the Company decided to write-off the Shipshaw and Autish properties due to the absence of significant exploration work over the past three years. No reversal of impairment losses has been recognized for the reporting periods.

The remaining properties have not been tested for impairment. The Company can retain properties as it has sufficient financial resources to meet its short-term obligations and exploration works are planned over next exercises. The rights to prospect for these properties will not expire soon and exploration works has been carried out on these properties over the past three years.

(b) Share-based payments

Estimation of share-based payment costs requires selection of appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

(c) Tax credits receivable

The calculation of the Company's refundable tax credit on qualified exploration expenditure incurred and refundable tax credit involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been issued from the relevant taxation authority and a payment has been received. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit and refundable tax credit, exploration and evaluation assets, and income tax expense in future periods.

Off-balance sheet arrangements

During the year, the Company did not set up any off-balance sheet arrangements.

RISK AND UNCERTAINTIES

Risks inherent in the nature of mineral exploration and development

Mineral exploration and development involve several risks which experience, knowledge and careful evaluation may not be sufficient to overcome. Large capital expenditures are required in advance of anticipated revenues from operations. Many exploration programs do not result in the discovery of mineralization; moreover, mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labor are some of the risks involved in the conduct of exploration programs and the operation of mines. The commercial viability of exploiting any precious metal deposit is dependent on a number of factors including infrastructure and governmental regulations, in particular those respecting the environment, price, taxes, and royalties. No assurance can be given that minerals of sufficient quantity, quality, size and grade will be discovered on any of the Company's properties to justify commercial operation. Numerous external factors influence and may have significant impacts on the operations of the Company and its financing needs.

Financial risks

The Company is an exploration company. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Tax

No assurance can be made that Canada Revenue Agency or Quebec Minister of Revenue will agree with Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses.

Dependence on key personnel

The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

Conflicts of interest

Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith of view to the best interests of the Company and to disclose any interest, which they may have on any project or opportunity of the Company. If a conflict arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

Environmental risks

The Company is subject to various environmental incidents that can occur during exploration work. The Company maintains an environmental management system including operational plans and practices.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements are the responsibility of the Company's management, and have been approved by the board of directors. The financial statements were prepared by the Company's management in accordance with IFRS. The financial statements include certain amounts based on the use of estimated and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

(Signed) Marie-José Girard, P.Geo M.Sc. President *(Signed)* René Lacroix CPA, CA Chief Financial Officer

Montreal, April 26, 2021