

**VALOREM RESOURCES INC.**

(formerly JDF Explorations Inc.)

**UNAUDITED CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS  
For the three months ended July 31, 2021 and 2020**

*(Expressed in Canadian dollars)*

NOTICE OF NO AUDITOR REVIEW OF UNAUDITED CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS

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The accompanying unaudited condensed interim consolidated financial statements of Valorem Resources Inc. (“the Company”) for the three months ended July 31, 2021 and 2020, have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

**Valorem Resources Inc.**  
**(Formerly JDF Explorations Inc.)**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Unaudited – Expressed in Canadian dollars)**

|   | Notes | July 31,<br>2021<br>\$ | April 30,<br>2021<br>(Audited)<br>\$ |
|---|-------|------------------------|--------------------------------------|
| <b>ASSETS</b>                                     |       |                        |                                      |
| Current   |       |                        |                                      |
| Cash  |       | 663                    | 82,310                               |
| GST receivable                                    |       | 17,605                 | 39,732                               |
| Prepaid expenses                                  | 3     | 249,074                | 552,429                              |
| <b>TOTAL ASSETS</b>                               |       | <b>267,342</b>         | <b>674,471</b>                       |
| <b>LIABILITIES</b>                                |       |                        |                                      |
| Current   |       |                        |                                      |
| Accounts payable and accrued liabilities          | 7     | 359,435                | 279,305                              |
| Related party liabilities                         | 7     | 166,400                | 139,998                              |
| Loan payable                                      | 5,7   | 100,000                | 100,000                              |
| <b>TOTAL LIABILITIES</b>                          |       | <b>625,835</b>         | <b>519,303</b>                       |
| <b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>          |       |                        |                                      |
| Share capital                                     | 6     | 8,050,923              | 7,722,748                            |
| Contributed surplus                               | 6     | 2,156,196              | 759,614                              |
| Deficit   |       | (10,565,612)           | (8,327,194)                          |
| <b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>    |       | <b>(358,493)</b>       | <b>155,168</b>                       |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |       | <b>267,342</b>         | <b>674,471</b>                       |

Nature of operations – Note 1  
Subsequent events – Note 13

Approved on behalf of the Board of Directors on September 29, 2021:

*“Tony Louie”*

Director

*“Drew Brass”*

Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

**Valorem Resources Inc.**  
**(Formerly JDF Explorations Inc.)**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**(Unaudited – Expressed in Canadian dollars)**

|   | Notes | For the three<br>months ended<br>July 31, 2021<br>\$ | For the three<br>months ended<br>July 31, 2020<br>\$ |
|---|-------|--|--|
| <b>EXPENSES</b>   |       |  |  |
| Acquisition and exploration expenditures                  | 4     | 429,087  | -  |
| Consulting fees   | 7     | 28,600   | 48,450   |
| Insurance   |       | 2,778  | 1,738  |
| Office and miscellaneous                                  |       | 1,199  | 22   |
| Professional fees   | 7     | 100,566  | 22,000   |
| Promotion   | 3     | 265,254  | -  |
| Registration and filing fees                              |       | 672  | -  |
| Share-based compensation                                  | 6     | 1,396,582  | -  |
| Shareholder communications                                |       | 8,480  | -  |
| Transfer agent fees                                       |       | 4,868  | 3,977  |
| Travel and promotion                                      |       | 332  | -  |
| <b>NET LOSS AND COMPREHENSIVE LOSS<br/>FOR THE PERIOD</b> |       | <b>(2,238,418)</b>                                   | <b>(76,187)</b>                                      |
| Basic and diluted loss per share for the period           |       | (0.02)   | (0.00)   |
| Weighted average number of common shares outstanding      |       | 93,043,003   | 45,668,620   |

**Valorem Resources Inc.**  
**(Formerly JDF Explorations Inc.)**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Unaudited – Expressed in Canadian dollars)**

|  | For the three<br>months ended<br>July 31, 2021<br>\$ | For the three<br>months ended<br>July 31, 2020<br>\$ |
|--|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                              |  |  |
| Net loss for the period  | (2,238,418)  | (76,187)   |
| Items not affecting cash:  |  |  |
| Acquisition and exploration expenditures - shares issued for acquisition | 306,375  | -  |
| Share-based compensation   | 1,396,582  | -  |
| <b>Net changes in non-cash working capital accounts</b>                  |  |  |
| Decrease in GST receivable   | 22,127   | 3,494  |
| Decrease in prepaid expenses   | 303,355  | 1,738  |
| (Decrease) increase in accounts payable and accrued liabilities          | 80,130   | (4,094)  |
| Increase in related party liabilities                                    | 26,402   | 70,750   |
| <b>Net cash used in operating activities</b>                             | <b>(103,447)</b>                                     | <b>(4,299)</b>                                       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                              |  |  |
| Shares issued for cash   | 21,800   | -  |
| <b>Net cash provided by financing activities</b>                         | <b>21,800</b>  | <b>-</b>   |
| Decrease in cash during the period                                       | (81,647)   | (4,299)  |
| Cash, beginning of the period  | 82,310   | 4,712  |
| <b>CASH, END OF THE PERIOD</b>   | <b>663</b>   | <b>413</b>   |

Supplemental disclosures with respect to cash flows – Note 8

**Valorem Resources Inc.**  
**(Formerly JDF Explorations Inc.)**  
**Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)**  
**For the three months ended July 31, 2021 and 2020**  
(Expressed in Canadian dollars)

|  | Number of<br>Common Shares | Share Capital<br>\$ | Contributed<br>Surplus<br>\$ | Deficit<br>\$ | Total<br>\$ |
|--|----------------------------|---------------------|------------------------------|---------------|-------------|
| Balance, April 30, 2020                                    | 45,614,715                 | 792,736             | 264,314                      | (1,183,708)   | (126,658)   |
| Net loss for the period                                    | -                          | -                   | -                            | (76,187)      | (76,187)    |
| Balance, July 31, 2020                                     | 45,464,715                 | 792,736             | 264,314                      | (1,259,895)   | (202,845)   |
| Balance, April 30, 2021                                    | 92,267,813                 | 7,722,748           | 759,614                      | (8,327,194)   | 155,168     |
| Shares issued for exercised warrants                       | 160,000                    | 21,800              | -                            | -             | 21,800      |
| Shares issued for acquisition and exploration expenditures | 712,500                    | 306,375             | -                            | -             | 306,375     |
| Share-based compensation                                   | -                          | -                   | 1,396,582                    | -             | 1,396,582   |
| Net loss for the period                                    | -                          | -                   | -                            | (2,238,418)   | (2,238,418) |
| Balance, July 31, 2021                                     | 93,140,313                 | 8,050,923           | 2,156,196                    | (10,565,612)  | (358,493)   |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

# Valorem Resources Inc.

(Formerly JDF Explorations Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

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### 1. NATURE OF OPERATIONS

Valorem Resources Inc (formerly JDF Explorations Inc.) (“VALU” or the “Company”) is an exploration stage junior mining company engaged in the identification, acquisition, evaluation and exploration of gold, precious metals, and base metal properties. VALU was incorporated on May 9, 2014, and on September 14, 2020, the Company changed its name from JDF Explorations Inc. to Valorem Resources Inc. The Company is a publicly listed company on the Canadian Stock Exchange (“CSE”), trading under the symbol “VALU”.

The head office, principal address and registered and records office of the Company is located at 810 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

The Company is currently evaluating its exploration and evaluation assets and has not determined whether its projects contain reserves that are economically recoverable. The recoverability of amounts recorded for the exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves. The Company's future capital requirements depend on many factors, including costs of exploration and development of the exploration and evaluation assets, cash flow from operations, costs to complete additional exploration, competition and global market conditions.

### 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

#### Statement of Compliance to International Financial Reporting Standards

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 – Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended April 30, 2021, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim financial statements have been prepared following the same accounting policies applied to the Company’s audited April 30, 2021 consolidated financial statements.

#### Basis of Consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated. The following companies have been consolidated within these financial statements:

| Entity                 | Country of Incorporation | Voting Control | Functional Currency |
|------------------------|--------------------------|----------------|---------------------|
| Valorem Resources Inc. | Canada                   | Parent Company | Canadian Dollar     |
| 1267818 BC Ltd.        | Canada                   | 100%           | Canadian Dollar     |
| 1161097 BC Ltd.        | Canada                   | 100%           | Canadian Dollar     |

#### Basis of Measurement

These consolidated statements have been prepared using the accrual basis of accounting except for cash flow information. In addition, these condensed interim consolidated financial statements have been prepared on the historical-cost basis, except for certain financial assets and financial liabilities.

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

# Valorem Resources Inc.

(Formerly JDF Explorations Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### Going Concern Assumption

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company is in the process of exploring the BC Cariboo Property, Black Dog Lake Project, and Wings Shear Property and it has not yet determined whether the mineral properties contain reserves that are economically recoverable. As at July 31, 2021, the Company had not advanced any properties to commercial production. During the three months ended July 31, 2021, the Company incurred a net loss and comprehensive loss of \$2,238,418 (2021 - \$76,187) and, as of that date, had a deficit of \$10,565,612 (April 30, 2021 - \$8,327,194) and working capital (deficiency) of (\$358,493) (April 30, 2021 - \$155,168). The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These factors form a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements do not give effect to the adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

#### Exploration and Evaluation Assets

All expenditures related to acquisition, exploration, and development of exploration and evaluation assets are expensed and charged to earnings in the period in which they are incurred, unless these mineral properties are placed into commercial production at which time they are capitalized. Although the Company has taken steps to verify the title to mineral properties in which it has an interest in accordance with general industry standards, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and, as such, title may be affected.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, option payments are recognized when paid or received. Recoveries that are received are recorded in the consolidated statement of loss and comprehensive loss.

All capitalized mineral property costs are reviewed at each reporting date, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

#### Provisions for Site Restoration

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and revegetation of the affected exploration sites. As at July 31, 2021, the Company has no site restoration obligations.

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.



# Valorem Resources Inc.

(Formerly JDF Explorations Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### **Share-Based Compensation**

The fair value method of accounting is used for share-based compensation transactions. Under this method, the cost of share options and finders' warrants is recorded based on the estimated fair value using the Black-Scholes option-pricing model at the grant date and charged to profit over the vesting period. The amount recognized as an expense is adjusted to reflect the number of equity instruments expected to vest.

Upon the exercise of share options and finders' warrants, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital. Upon the expiry or cancellation of share options and finders' warrants, their fair value previously recorded in reserve is transferred to deficit.

#### **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances; however, actual outcomes can differ from these estimates.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities included in the preparation of these consolidated financial statements are discussed below:

#### ***Impairment of Exploration and Evaluation assets***

Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral properties.

In respect of costs incurred for its exploration and evaluation assets, management has determined that the property acquisition costs, evaluation, development and related costs incurred be expensed on the consolidated statements of operations and comprehensive loss. Management has determined there are no indicators of impairment for its exploration and evaluation assets as at July 31, 2021.

#### ***Share-Based Compensation***

Determining the fair value of warrants and share options requires estimates related to the choice of a pricing model, the estimation of share price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

#### ***Usage of the Going Concern Assumption***

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

# Valorem Resources Inc.

(Formerly JDF Explorations Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

### 3. PREPAID EXPENSES

|  | July 31,<br>2021<br>\$ | April 30,<br>2021<br>\$ |
|--|------------------------|-------------------------|
| Marketing, media, and analytics agreements | 246,292                | 465,602                 |
| Exploration and evaluation costs           | 2,782                  | 86,827                  |
|  | 249,074                | 552,429                 |

The Company paid an arm's length marketing firm \$270,000 in the prior fiscal year to provide marketing services to the Company for a one year period. As at July 31, 2021 \$81,580 of the payment remains in prepaid expenses.

During the prior fiscal year, the Company paid an arm's length firm \$424,246 to provide digital media services, vendor management, marketing, and data analytics services to the Company. As at July 31, 2021 \$147,301 of the payment remains in prepaid expenses.

The Company paid an arm's length firm \$62,000 to provide marketing analysis and business development services to the Company for a six month period commencing March 21, 2020. As at July 31, 2021, \$17,411 of the payment remains in prepaid expenses.

An arm's length firm was engaged to provide exploration and evaluation services to the Company. In exchange for these services, the Company paid a total of \$20,000 related to the Black Dog property. As at July 31, 2021, \$2,782 remains as a prepaid expense.

### 4. ACQUISITION AND EXPLORATION EXPENDITURES

Acquisition and exploration expenditures for the three months ended July 31, 2021 were as follows:

|  | Black Dog Lake<br>Project | Wings Shear<br>Property | Total<br>Costs |
|--|---------------------------|-------------------------|----------------|
| Acquisition costs  | -                         | 306,375                 | 306,375        |
| Camp costs   | 1,477                     | -                       | 1,477          |
| Demobilization   | 6,945                     | -                       | 6,945          |
| Equipment rental   | 1,350                     | 15,275                  | 16,625         |
| Field expenditures   | 360                       | 1,330                   | 1,690          |
| Field personnel  | -                         | 15,525                  | 15,525         |
| Geological   | 5,600                     | 27,215                  | 32,815         |
| Geophysical  | 20,075                    | -                       | 20,075         |
| Line- cutting  | 2,534                     | -                       | 2,534          |
| Mobilization   | 6,945                     | -                       | 6,945          |
| Sampling   | 7,606                     | 10,475                  | 18,081         |
| <b>Total acquisition and exploration expenditures,<br/>July 31, 2021</b> | <b>52,892</b>             | <b>376,195</b>          | <b>429,087</b> |

There were no acquisition and exploration expenditures during the comparative three months ended July 31, 2020.

# Valorem Resources Inc.

(Formerly JDF Explorations Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

### 4. ACQUISITION AND EXPLORATION EXPENDITURES (CONTINUED)

Management has determined that due to uncertainty on future recoverability of its mineral exploration and evaluation assets, acquisition and exploration costs are expensed as incurred.

#### BC Cariboo Property, British Columbia

On February 12, 2021, the Company issued 30,000,000 common shares with a fair value of \$5,100,000 to the shareholders of 1267818 in exchange for all of the issued and outstanding shares of 1267818. The primary asset held by 1267818 was the BC Cariboo property.

The BC Cariboo property comprises multiple tenure blocks totaling more than 4,000 hectares and is comprised of three claim groups, the East, Central, and West. The property strategically targets the Transitional or Basalt Siltstone of the Barkerville Terrain located in the Cariboo District, British Columbia.

#### Black Dog Lake Gold Project, Quebec

On August 4, 2020, the Company signed a property option agreement (the “Black Dog Agreement”) to purchase the Black Dog Lake Gold property, which comprises 17 contiguous mineral claims, located in the James Bay region, Quebec.

Pursuant to the terms of the Black Dog Agreement, the Company can earn a 100% interest in the Black Dog Gold project by making the following payments to the Optionors:

| Cash Payment Amount to Optionor  | Shares to be issued to Optionor  | Minimum exploration requirements  |
|--|--|---|
| \$35,000 (paid) due within 5 business days of the effective date           | 500,000 shares (issued at a value of \$50,000) and due upon execution of the Black Dog Agreement | \$NIL   |
| \$45,000 due on 1 <sup>st</sup> anniversary date of the effective date     | 500,000 shares to be issued on or before one year from signing the Black Dog Agreement           | \$50,000 to be spent on or before the 1 <sup>st</sup> anniversary date of the effective date (obligation fulfilled) |
| \$55,000 due on 2 <sup>nd</sup> anniversary of the effective date          | 750,000 shares to be issued on or before two years from signing the Black Dog Agreement          | \$200,000 to be spent on or before the 2 <sup>nd</sup> anniversary of the effective date                            |
| \$60,000 due on the 3 <sup>rd</sup> anniversary date of the effective date | 1,000,000 shares to be issued on or before three years from signing the Black Dog Agreement      | \$500,000 to be spent on or before the 3 <sup>rd</sup> anniversary date of the effective date                       |
| <b>\$195,000</b>   | <b>2,750,000 shares</b>  | <b>\$750,000</b>  |

The Optionors retain a 2% Net Smelter Return Royalty (“NSR”) on all metals recovered from the Black Dog Lake Gold project. The Company has the right at any time to acquire 50% of the NSR for \$1,000,000. In the event that the Company declares a proven reserve supported by a 43-101 Technical Report, an additional 1,000,000 common shares are to be issued to the Optionors.

# Valorem Resources Inc.

(Formerly JDF Explorations Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

### 4. ACQUISITION AND EXPLORATION EXPENDITURES (CONTINUED)

#### Wings Shear Property, Newfoundland and Labrador

On January 4, 2021, the Company entered into a mineral property option agreement (the “Wings Shear Agreement”), to acquire a 100% interest in the Wings Shear property. The property is comprised of 280 claim units covering 7,000 hectares located 32 kilometers northeast of Gander, Newfoundland and Labrador.

Pursuant to the terms of the Wings Shear Agreement, the Company can earn a 100% interest in the Wings Shear Property by making the following payments to the Optionor:

| Cash Payment Amount to Optionor                                 | Shares to be issued to Optionor   | Minimum exploration requirements  |
|---|---|---|
| \$45,000 (paid) within 5 business days from the effective date  | 750,000 shares (issued at a value of \$123,750) to be issued on same day of 1 <sup>st</sup> cash payment (payment date)   | \$250,000 prior to the 1 <sup>st</sup> year anniversary of the effective date               |
| Reimburse \$13,130 (paid) of staking fees on the effective date | 750,000 shares to be issued 4 months from the payment date (37,500 shares issued at a value of \$6,188 in prior fiscal year and 712,500 shares issued at a value of \$306,375 in current fiscal year) | An additional \$500,000 prior to the 2 <sup>nd</sup> year anniversary of the effective date |
|   | 1,500,000 shares (75,000 shares issued at a value of \$12,375) to be issued 8 months from payment date  | A final \$2,250,000 prior to the 3 <sup>rd</sup> year anniversary of the effective date     |
|   | 1,500,000 shares (75,000 shares issued at a value of \$12,375) to be issued 12 months from payment date   |   |
| <b>\$58,130</b>   | <b>4,500,000 shares</b>   | <b>\$3,000,000</b>  |

The Optionors retain a 2% Net Smelter Return Royalty (“NSR”) on any commercial production from the Wings Shear Property. The Company has the right at any time to acquire 1.5% of the NSR for \$1,000,000.

The Company also paid \$4,500 cash, and issued 450,000 common shares valued at \$74,250 as finder’s fees for the Wings Shear Property.

### 5. LOAN PAYABLE

On February 12, 2021, the Company assumed debt of \$100,000 owed to a Director of the Company’s subsidiary. The loan is non-interest bearing, unsecured and due on demand.

### 6. SHARE CAPITAL

#### Authorized share capital

Unlimited number of voting common shares without par value.

#### Issued and outstanding

On July 31, 2021 the Company had 93,140,313 (April 30, 2021 – 92,267,813) common shares outstanding.

**Valorem Resources Inc.**  
**(Formerly JDF Explorations Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2021 and 2020  
(Unaudited - Expressed in Canadian dollars)

**6. SHARE CAPITAL (CONTINUED)**

**Share issuances**

*Share issuances during the three months ended July 31, 2021*

On May 5, 2021, the Company issued 712,500 common shares with a fair value of \$306,375 pursuant to the Wings Shear Agreement.

During the three months ended July 31, 2021, the Company received a total of \$21,800 from the exercise of 160,000 warrants.

There were no share issuances during the three months ended July 31, 2020.

**Stock options**

In December 2019, the Company approved a stock option plan which authorizes the Directors to grant options to directors, officers, key employees and others who are in a position to contribute to the future success and growth of the Company. Options granted under the plan have a maximum term of ten years and typically vest on the grant or at terms to be determined by the directors at the time of grant.

The following is a summary of the Company's stock option activity:

|                         | Number<br>of stock<br>options | Weighted average<br>exercise price<br>\$ |
|-------------------------|-------------------------------|--|
| Balance, April 30, 2020 | -                             | -  |
| Granted                 | 2,250,000                     | 0.22                                     |
| Balance, April 30, 2021 | 2,250,000                     | 0.22                                     |
| Granted                 | 4,700,000                     | 0.29                                     |
| Balance, July 31, 2021  | 6,950,000                     | 0.27                                     |

As of July 31, 2021, the Company had stock options outstanding and exercisable to acquire common shares of the Company as follows:

| Expiry date    | Number of<br>stock options | Exercise Price<br>\$ |
|----------------|----------------------------|----------------------|
| April 21, 2026 | 2,250,000                  | 0.22                 |
| May 27, 2026   | 4,700,000                  | 0.29                 |
|                | 6,950,000                  |                      |

On May 27, 2021, the Company granted 4,700,000 stock options to three directors and an officer. Each option is exercisable at \$0.29 per share until May 27, 2026. All of the options vested upon date of grant. The estimated fair value of the options was \$1,396,582 measured using the Black-Scholes Option Pricing Model with the following assumptions: share price \$0.30; exercise price - \$0.29; expected life - 5 years; volatility - 516%; dividend yield - \$0; and risk-free rate - 0.90%.

The weighted average remaining contractual life of the stock options outstanding at July 31, 2021 is 4.78 years.

# Valorem Resources Inc.

(Formerly JDF Explorations Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

### 6. SHARE CAPITAL (CONTINUED)

#### Share purchase warrants

The following is a summary of the Company's warrant activity:

|                         | Number<br>of warrants | Weighted average<br>exercise price<br>\$ |
|-------------------------|-----------------------|--|
| Balance, April 30, 2020 | 835,000               | 0.40                                     |
| Issued                  | 11,793,998            | 0.16                                     |
| Exercised               | (1,325,600)           | 0.15                                     |
| Balance, April 30, 2021 | 11,303,398            | 0.18                                     |
| Exercised               | (160,000)             | 0.14                                     |
| Balance, July 31, 2021  | 11,143,398            | 0.18                                     |

As of July 31, 2021, the Company had warrants outstanding and exercisable to acquire common shares of the Company as follows:

| Expiry date       | Number of<br>warrants | Exercise Price<br>\$ |
|-------------------|-----------------------|----------------------|
| September 4, 2021 | 428,400               | 0.15                 |
| January 28, 2022  | 8,779,998             | 0.13                 |
| October 25, 2024  | 835,000               | 0.40                 |
| March 26, 2022    | 1,100,000             | 0.40                 |
|                   | 11,143,398            |                      |

### 7. RELATED PARTY TRANSACTIONS

Key management personnel are the Directors and Officers of the Company. Certain key management personnel provide services through companies that they control. The following transactions are in the normal course of operations and are measured at their exchange amount, which is the amount agreed upon by the transacting parties.

The following amounts, which are unsecured and non-interest bearing, are reported in accounts payable and accrued liabilities, and related party liabilities:

|  | July 31,<br>2021<br>\$ | April 30,<br>2021<br>\$ |
|--|------------------------|-------------------------|
| Due to Director and Interim CEO                        | 160,300                | 139,998                 |
| Due to CFO   | 6,100                  | -                       |
| A company controlled by the former CFO of the Company* | 82,215                 | 108,215                 |
|  | 248,615                | 248,213                 |

\*Amounts are included in accounts payable and accrued liabilities

# Valorem Resources Inc.

(Formerly JDF Explorations Inc.)

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2021 and 2020

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### 7. RELATED PARTY TRANSACTIONS (CONTINUED)

#### *Loan Payable*

On February 12, 2021, the Company assumed debt of \$100,000 owed to a former Director of the Company's subsidiary, 1267818 B.C. Ltd. The debt is non-interest bearing, unsecured and due on demand.

The following are the transactions with related parties during the three months ended July 31, 2021, and 2020:

|   | Three months<br>ended<br>July 31, 2021<br>\$ | Three months<br>ended<br>July 31, 2020<br>\$ |
|---|--|--|
| Consulting fees to Director and Interim CEO   | 28,500                                       | 22,000                                       |
| Professional fees to CFO  | 6,000  | -  |
| Accounting and professional fees to a company jointly controlled by former Director and former CFO of the Company | -  | 22,000                                       |
| Consulting fees to former Director and CEO  | -  | 24,000                                       |
|   | <b>34,500</b>                                | <b>68,000</b>                                |

### 8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

#### *Significant non-cash transactions during the three months ended July 31, 2021*

On May 5, 2021, the Company issued 712,500 common shares with a fair value of \$306,375 pursuant to the Wings Shear Agreement.

There were no non-cash transactions during the comparative three months ended July 31, 2020.

### 9. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment, being the acquisition and exploration of mineral properties. As at July 31, 2021, all the Company's assets are located in Canada.

### 10. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition, exploration, and development of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the three months ended July 31, 2021.

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(Formerly JDF Explorations Inc.)

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### 11. FINANCIAL RISK MANAGEMENT

The fair value of the Company's accounts payable and accrued liabilities and related party liabilities approximate their carrying value, which is the amount recorded on the statements of financial position. The Company's cash under the fair value hierarchy is recorded at fair value based on level one quoted prices in active markets for identical assets or liabilities. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### i. Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, and other receivables. Management believes that its credit risk is not significant.

#### ii. Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. On July 31, 2021, the Company had a cash balance of \$663 (April 30, 2021 - \$82,310) to settle current liabilities of \$625,835 (April 30, 2021 - \$519,303). All the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

#### iii. Commodity Price Risk

The Company is subject to price risk from fluctuations in the market prices of commodities as it relates to the possible underlying values of its commodity based mineral properties and the corresponding ability to raise funds for future operations. Management closely monitors commodity prices to determine the appropriate course of actions to be taken in its investing and financing activities. As the Company has not yet developed commercial mineral interests, it is not exposed to significant commodity price risk.

### 12. COVID-19 PANDEMIC

In March 2020, the World Health Organization declared, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", a pandemic. This has resulted in governments worldwide enacting emergency measures to limit the spread of the virus, including closure of non-essential businesses. As of the date of this report, the majority of the Company's operations are considered essential in all jurisdictions in which the Company operates. As such, to date the Company has been able to continue operating with no material impact to operations.

There have been no material revisions to the nature and number of estimates and judgments made in respect of the Company's consolidated financial statements of prior periods. However, the effects of COVID-19 have required significant judgements and estimates to be made in the preparation of the Company's consolidated financial statements.

Additionally, the effects of COVID-19 may require revisions to estimates of expected credit losses attributed to accounts receivable. To date no revisions to managements' estimates and judgements used in the preparation of the Company's consolidated financial statements have been necessary.

Due to rapid developments and uncertainty surrounding COVID-19 or the possible ending of COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's operations or financial results in the future, its suppliers, and its customers. Additionally, it is possible the Company's operations and consolidated financial results will change in the near term as a result of COVID-19 or the ending of COVID-19.



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### 13. SUBSEQUENT EVENTS

#### *Shares issued for Black Dog Lake Gold property*

On August 4, 2021, the Company issued 500,000 common shares with a fair value of \$117,500 pursuant to the Black Dog Agreement. The Company also paid \$45,000 to the Optionor for the 1<sup>st</sup> anniversary Black Dog Lake property payment.

#### *Exercised warrants*

On August 17, 2021, the Company received \$198,705 from the exercise of 1,528,500 warrants at \$0.13 with a January 28, 2022 expiry date.

#### *Shares issued for Wings Shear property*

On September 3, 2021, the Company issued 1,425,000 common shares with a fair value of \$206,625 pursuant to the Wings Shear Agreement.

#### *Expired share purchase warrants*

On September 4, 2021, 428,400 warrants exercisable at \$0.15 per share expired unexercised.