

VALOREM RESOURCES INC.
(formerly JDF Explorations Inc.)

CONSOLIDATED FINANCIAL STATEMENTS
For the years ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

Independent Auditor's Report

To the Shareholders of:
VALOREM RESOURCES INC.
(formerly JDF Explorations Inc.)

Opinion

We have audited the consolidated financial statements of Valorem Resources Inc. (formerly JDF Explorations Inc.) ("the Company"), which comprise the consolidated statements of financial position as at April 30, 2022 and 2021 and the consolidated statements of changes in shareholders' (equity) deficiency, loss and comprehensive loss, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 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 Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$3,489,379 during the year ended April 30, 2022, and as of that date, had accumulated losses since inception of \$11,722,164. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis. Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated 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 Company'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 Company'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 consolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mike Kao.

WDM

Chartered Professional Accountants

Vancouver, B.C.

July 21, 2022

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Consolidated Statements of Financial Position
As at April 30, 2022 and 2021
(Expressed in Canadian dollars)

	Notes	2022 \$	2021 \$
ASSETS			
Current			
Cash		56,040	82,310
GST receivable		722	39,732
Prepaid expenses	3	-	552,429
TOTAL ASSETS		56,762	674,471
LIABILITIES			
Current			
Accounts payable and accrued liabilities		704,361	279,305
Related party liabilities	8	274,900	139,998
Loan payable	4, 6	100,000	100,000
TOTAL LIABILITIES		1,079,261	519,303
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	7	8,637,878	7,722,748
Contributed surplus	7	2,061,787	759,614
Deficit		(11,722,164)	(8,327,194)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		(1,022,499)	155,168
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		56,762	674,471

Nature of operations – Note 1
Going concern assumption – Note 2
Exploration and evaluation assets – Note 5
Subsequent events – Note 15

Approved on behalf of the Board of Directors on July 21, 2022:

“Tony Louie” Director

“Drew Brass” Director

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

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

	Notes	2022	2021
		\$	\$
EXPENSES			
Acquisition and exploration expenditures	5	1,104,665	5,495,766
Consulting fees	8	117,783	269,307
Insurance		11,111	10,433
Office and miscellaneous		13,365	711
Professional fees	8	242,338	140,498
Promotion		579,046	622,202
Registration and filing fees		767	3,743
Share-based compensation	7	1,396,582	490,035
Transfer agent fees		23,597	20,390
Website		125	4,379
Loss before other items		(3,489,379)	(7,057,464)
Adjustment on acquisition of exploration and evaluation assets	4	-	(211,309)
Gain on foreign exchange		-	4,777
Gain on settlement of debt	7	-	6,000
Write-off of accounts payable	8	-	114,510
Total other items		-	(86,022)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		(3,489,379)	(7,143,486)
Basic and diluted loss per share for the year		(0.04)	(0.12)
Weighted average number of common shares outstanding		95,944,062	57,315,106

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

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Consolidated Statements of Cash Flows
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

	2022	2021
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year:	(3,489,379)	(7,143,486)
Items not affecting cash:		
Acquisition and exploration expenditures - shares issued for acquisition	694,625	5,378,938
Gain on settlement of debt	-	(6,000)
Share-based compensation	1,396,582	490,035
Adjustment on acquisition of exploration and evaluation assets	-	211,309
Gain on foreign exchange	-	(4,777)
Write-off of accounts payable	-	(114,510)
Net changes in non-cash working capital accounts		
Decrease (increase) in GST receivable	39,010	(15,994)
Decrease in share subscription receivable	-	21,688
Decrease (increase) in prepaid expenses	552,429	(547,552)
Increase in accounts payable and accrued liabilities	425,056	300,683
Increase (decrease) in related party liabilities	134,902	(10,075)
Net cash used in operating activities	(246,775)	(1,439,741)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash	220,505	1,533,090
Share issue costs	-	(15,751)
Net cash provided by financing activities	220,505	1,517,339
Change in cash during the year	(26,270)	77,598
Cash, beginning of the year	82,310	4,712
CASH, END OF THE YEAR	56,040	82,310

Supplemental disclosures with respect to cash flows – Note 9

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital \$	Contributed Surplus \$	Deficit \$	Total \$
Balance, April 30, 2020	45,614,715	792,736	264,314	(1,183,708)	(126,658)
Shares issued for cash	13,289,998	1,345,500	-	-	1,345,500
Share issue costs	-	(26,093)	10,342	-	(15,751)
Shares issued for exercised warrants	1,325,600	198,840	-	-	198,840
Fair value reclassification pursuant to exercised finder's warrants	-	5,077	(5,077)	-	-
Shares issued to acquire 1269842 BC Ltd.	30,000,000	5,100,000	-	-	5,100,000
Shares returned to treasury	(150,000)	(11,250)	-	-	(11,250)
Shares issued for exploration and evaluation asset	1,437,500	204,688	-	-	204,688
Shares issued for finder's fee on exploration and evaluation asset	450,000	74,250	-	-	74,250
Shares issued for debt	300,000	39,000	-	-	39,000
Share-based compensation	-	-	490,035	-	490,035
Net loss for the year	-	-	-	(7,143,486)	(7,143,486)
Balance, April 30, 2021	92,267,813	7,722,748	759,614	(8,327,194)	155,168
Shares issued for exercised warrants	1,688,500	220,505	-	-	220,505
Shares issued for acquisition and exploration expenditures	4,062,500	694,625	-	-	694,625
Expiry of finder's warrants	-	-	(5,265)	5,265	-
Forfeited stock options	-	-	(89,144)	89,144	-
Share-based compensation	-	-	1,396,582	-	1,396,582
Net loss for the year	-	-	-	(3,489,379)	(3,489,379)
Balance, April 30, 2022	98,018,813	8,637,878	2,061,787	(11,722,164)	(1,022,499)

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

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Valorem Resources 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” and on the Frankfurt Stock Exchange under the symbol “1XW1”.

The head office and principal address is 2380 – 1055 West Hasting Street, Vancouver, British Columbia, V6E 2E9. The registered and records office of the Company is located at 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

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 is 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”) in effect for the year ended April 30, 2022.

The consolidated financial statements of the Company as at April 30, 2022 were approved and authorized for issue by the Board of Directors on July 21, 2022.

Basis of Consolidation

These 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
1286492 BC Ltd.	Canada	100%	Canadian dollar
1156219 BC Ltd.	Canada	100%	Canadian dollar

Basis of Measurement

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

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.

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

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

Going Concern Assumption (continued)

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 April 30, 2022, the Company had not advanced any properties to commercial production. During the year ended April 30, 2022, the Company incurred a net loss and comprehensive loss of \$3,489,379 (2021 - \$7,143,486) and, as of that date, had a deficit of \$11,722,164 (2021 - \$8,327,194) and working (deficiency) capital of (\$1,022,499) (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 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 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 April 30, 2022, the Company has no site restoration obligations.

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

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

Impairment of Non-Current Assets

The carrying amounts of non-current assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indications of impairment, then the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Individual assets are grouped together as a cash generating unit for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are independent from other group assets.

The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. An impairment loss exists if the asset's or cash generating unit's carrying amount exceeds the recoverable amount and is recorded as an expense immediately. In assessing the value in use, the estimated future cash flows are adjusted for the risks specific to the cash generating unit and are discounted to their present value with a discount rate that reflects the current market indicators.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Share Capital

Share capital includes cash consideration received for share issuances, net of commissions and issue costs.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. Under the residual value method, cash consideration received from the issuance of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share capital. Proceeds received for shares that have not yet been issued as at the reporting date are recorded as share subscriptions.

Shares issued for other than cash consideration are valued at the quoted price on the CSE Exchange based on the earlier of: (i) the date the shares are issued, and (ii) the date the agreement to issue the shares is reached.

Loss Per Share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares issued and outstanding during the reporting period. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of share options and share purchase warrants is anti-dilutive.

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.

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

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

Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

i. Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

ii. Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

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

Deferred Tax Assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

The Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty in the realization of these assets.

Valorem Resources Inc.
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Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

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

Financial Instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

i. Classification

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as fair value through profit or loss ("FVTPL"). For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at fair value through other comprehensive income ("FVTOCI"). Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

ii. Measurement

Financial assets and liabilities at amortized cost

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

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

These financial assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment losses are recognized in profit or loss. Any gain or loss on the derecognition of the financial asset is recognized in profit or loss.

Financial assets and liabilities at FVTOCI

A debt investment is measured at FVTOCI if it meets both the following conditions and is not designated as FVTPL:

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

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

Debt investments measured at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment are recognized in profit or loss. Other net gains and losses are measured in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Valorem Resources Inc.
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Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

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

ii. Measurement (continued)

Financial assets and liabilities at FVTOCI (continued)

Equity investments measured at FVTOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets and liabilities at FVTPL

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

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

iii. Impairment of Financial Assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

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 be capitalized on the consolidated statements of financial position, and the evaluation, development and related costs incurred be expensed on the statements of operations and comprehensive loss. Management has determined there are no indicators of impairment for its exploration and evaluation assets as at April 30, 2022.

Valorem Resources Inc.
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Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

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

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.

3. PREPAID EXPENSES

	2022	2021
	\$	\$
Marketing, media, and analytics agreements	-	465,602
Exploration and evaluation costs	-	86,827
	-	552,429

The Company entered into agreements with six arm's length companies during the year ended April 30, 2021.

The Company paid an arm's length marketing firm \$270,000 to provide marketing services to the Company for a one-year period. As at April 30, 2021, \$149,081 of the payment remained in prepaid expenses.

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 April 30, 2021 \$253,361 of the payment remained in prepaid expenses.

The Company paid an arm's length marketing firm \$88,496 to provide marketing awareness services to the Company for a six-month period commencing December 1, 2020. As at April 30, 2021, \$14,749 of the payment remained 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 April 30, 2021, \$48,411 of the payment remained in prepaid expenses.

Two arm's length firms were engaged to provide exploration and evaluation services to the Company. In exchange for these services, the Company paid a total of \$86,827, of which \$51,152 and \$35,675 related to the Wings Shear and Black Dog properties, respectively. As at April 30, 2021, \$86,827 remained as a prepaid expense.

4. ASSET ACQUISITION – 1286492 B.C. Ltd.

On February 12, 2021, the Company acquired 100% of 1286492 B.C. Ltd. ("1286492 BC"), a British Columbia based exploration corporation focused on the acquisition of precious metal properties in Canada, via a three-cornered amalgamation.

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

4. ASSET ACQUISITION – 1286492 B.C. Ltd. (CONTINUED)

Pursuant to the terms of the amalgamation, the Company issued 30,000,000 common shares with a fair value of \$5,100,000 to the shareholders of 1286492 BC in exchange for all of the issued and outstanding shares of 1286492 BC. 1286492 BC holds a 100% interest in the following Mineral Claims located in BC, collectively “BC Cariboo Property”:

- 100% ownership of the Cariboo Gold Property;
- 100% ownership of the Lac La Hache Gold Property; and,
- 100% ownership of the Pinto Gold Property.

In accordance with IFRS 3 Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition does not meet the definition of a business combination as the primary assets are only the Mineral Claims. Consequently, the transaction has been recorded as an acquisition of an asset. The results of operations from 1286492 are included in the consolidated financial statements since the date of acquisition.

The following table summarizes the consideration paid and the allocation to the assets and liabilities acquired as at the date of acquisition:

Purchase price:	\$
<u>Total consideration paid - 30,000,000 common shares issued at \$0.17 per share</u>	<u>5,100,000</u>
Net liabilities assumed:	
Exploration and evaluation asset	-
Accounts payable	(63,514)
Due to MegumaGold Corp.	(47,795)
<u>Loan payable</u>	<u>(100,000)</u>
<u>Net liabilities assumed – charged to the statement of operations.</u>	<u>(211,309)</u>
<u>Excess of consideration over net liabilities assumed</u>	<u>5,100,000</u>

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

5. ACQUISITION AND EXPLORATION EXPENDITURES

Acquisition and exploration expenditures for the years ended April 30, 2022 and 2021 were as follows:

	Black Dog Lake Project	Wings Shear Property	Total Costs		
	\$	\$	\$		
Acquisition costs:					
Additions - 2022	162,500	577,125	739,625		
Acquisition costs, 2022	162,500	577,125	739,625		
Exploration expenditures:					
Assays	-	2,318	2,318		
Camp costs	1,173	-	1,173		
Claim staking and renewals	4,774	-	4,774		
Demobilization	7,945	-	7,945		
Equipment rental	1,350	43,540	44,890		
Field expenditures	5,002	4,125	9,127		
Field personnel	9,863	66,625	76,488		
Geological	17,585	66,785	84,370		
Geophysical	54,501	-	54,501		
Line-cutting	1,500	-	1,500		
Mobilization	7,945	-	7,945		
Sampling	2,000	61,687	63,687		
Transportation	500	5,822	6,322		
Exploration expenditures, 2022	114,138	250,902	365,040		
Total acquisition and exploration expenditures, 2022	276,638	828,027	1,104,665		
	Blue Hawk Property	BC Cariboo Property	Black Dog Lake Project	Wings Shear Property	Total Costs
	\$	\$	\$	\$	\$
Acquisition costs:					
Additions - 2021	-	5,100,000	85,000	291,568	5,476,568
Acquisition costs, 2021	-	5,100,000	85,000	291,568	5,476,568
Exploration expenditures:					
Claim staking and renewals	829	-	-	-	829
Geological consulting	-	1,770	16,099	500	18,369
Exploration expenditures, 2021	829	1,770	16,099	500	19,198
Total acquisition and exploration expenditures, 2021	829	5,101,770	101,099	292,068	5,495,766

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.

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

5. ACQUISITION AND EXPLORATION EXPENDITURES (CONTINUED)

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 1286492 BC in exchange for all of the issued and outstanding shares of 1286492 BC. The primary asset held by 1286492 BC 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.

As of Auditor's Report date, the BC Cariboo claims were forfeited.

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 was comprised of 16 contiguous mineral claims, located in the James Bay region, Quebec. The Company staked an additional 9 claims thereby increasing the Black Dog Lake Gold property to 25 claims covering a total of 1,319.4 hectares.

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 due within 5 business days of the effective date (paid)	500,000 shares (issued at a fair value of \$50,000) and due upon execution of the Black Dog Agreement	\$NIL
\$45,000 due on 1 st anniversary date of the effective date (paid)	500,000 shares (issued at a fair value of \$117,500) on or before one year from signing the Black Dog Agreement	\$50,000 to be spent on or before the 1 st anniversary date of the effective date (obligation fulfilled)
\$55,000 due on 2 nd 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 nd anniversary of the effective date
\$60,000 due on the 3 rd 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 rd anniversary date of the effective date
\$195,000	2,750,000 shares	\$750,000

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. On November 18, 2021, the Company filed an updated 43-101 which does not declare a proven reserve, therefore the Company is not yet obligated to issue the additional 1,000,000 shares to the optionors.

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.

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

5. ACQUISITION AND EXPLORATION EXPENDITURES (CONTINUED)

Wings Shear Property, Newfoundland and Labrador (continued)

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 fair value of \$123,750) to be issued on same day of 1 st cash payment (payment date)	\$250,000 prior to the 1 st year anniversary of the effective date (incurred)
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 fair value of \$6,188 in prior fiscal year and 712,500 shares issued at fair value of \$306,375 in current fiscal year)	An additional \$500,000 prior to the 2 nd year anniversary of the effective date
	1,500,000 shares (75,000 shares issued at fair value of \$12,375 issued in prior fiscal year and 1,425,000 issued at fair value of \$206,625 in current fiscal year) to be issued 8 months from payment date	A final \$2,250,000 prior to the 3 rd year anniversary of the effective date
	1,500,000 shares (75,000 shares issued at fair value of \$12,375 in prior fiscal year and 1,425,000 issued at a fair value of \$64,125 in current fiscal year) to be issued 12 months from payment date	
\$58,130	4,500,000 shares	\$3,000,000

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.

Blue Hawk Property, British Columbia

The Company earned a 100% interest in the Blue Hawk property, which consists of the Blue Hawk claims located near Kelowna, British Columbia in 2015. While evaluating the future economic benefits on its Blue Hawk property, the Company chose to make a payment to the Minister of Finance, in lieu of completing exploration and development work on the property until 2020. The Blue Hawk property was sold in 2021 for a nominal amount of \$500.

6. LOAN PAYABLE

On February 12, 2021, the Company assumed debt of \$100,000 owed to a former Director of the Company’s subsidiary. The loan is non-interest bearing, unsecured and due on demand (Note 4). As at April 30, 2022, the full amount of \$100,000 is outstanding.

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

7. SHARE CAPITAL

Authorized share capital

Unlimited number of voting common shares without par value.

Issued and outstanding

On April 30, 2022 the Company had 98,018,813 (2021 – 92,267,813) common shares outstanding.

Share issuances

Share issuances during the year ended April 30, 2022

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

On August 4, 2021, the Company issued 500,000 common shares with a fair value of \$117,500 pursuant to the Black Dog Agreement (Note 5).

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 (Note 5).

On January 5, 2022, the Company issued 1,425,000 common shares with a fair value of \$64,125 pursuant to the Wings Shear Agreement (Note 5).

During the year ended April 30, 2022, the Company received a total of \$220,505 from the exercise of 1,688,500 warrants.

Share issuances during the year ended April 30, 2021

On August 20, 2020, the Company issued 500,000 common shares with a fair value of \$50,000 pursuant to the Black Dog Agreement (Note 5).

On August 24, 2020, the Company received and returned 150,000 common shares with a fair value of \$11,250 to treasury when the APA on the East Cortez Gold project was cancelled.

On September 4, 2020, the Company closed a non-brokered private placement and issued 3,300,000 units of the Company at a price of \$0.10 per Unit for gross proceeds of \$330,000. Each Unit consisted of one common share of the Company and one-half of one transferrable share purchase warrant. Each whole warrant was exercisable at \$0.15 until September 4, 2021. The share purchase warrants are subject to acceleration if the Company's common shares trade at \$0.30 per share for a period of 20 consecutive trading days.

The Company paid \$15,750 cash, and issued a total of 154,000 warrants with a fair value of \$10,342 as finder's fees for the September 4, 2020 private placement. The warrants are exercisable at \$0.15 per share, of which 101,500 of the warrants were exercisable until September 4, 2021, and the remaining 52,500 warrants are exercisable until September 4, 2022.

On November 9, 2020, the Company issued 300,000 shares with a fair value of \$39,000 to settle \$45,000 of consulting fees debt. As a result of the shares for debt settlement, the Company recognized a \$6,000 gain on settlement of debt.

On January 5, 2021, the Company issued 937,500 common shares with a fair value of \$154,688 pursuant to the Wing Shear Agreement. An additional 450,000 common shares with a fair value of \$74,250 were issued as finder's fees for the Wing Shear Property (Note 5).

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

7. SHARE CAPITAL (CONTINUED)

Share issuances during the year ended April 30, 2021 (continued)

On January 28, 2021, the Company completed the 1st tranche of a non-brokered private placement. The Company issued 8,889,998 units at \$0.10 per unit for gross proceeds \$889,000. Each unit was comprised of one common share and one full transferable share purchase warrant. Each warrant was exercisable at \$0.13 per share until January 28, 2022.

On February 12, 2021, the Company issued 30,000,000 common shares with a fair value of \$5,100,000 to the shareholders of 1286492 BC in exchange for all of the issued and outstanding shares of 1286492 BC (Note 4).

On March 26, 2021, the Company completed the 2nd tranche of a non-brokered private placement. The Company issued 1,100,000 units at \$0.115 per unit for gross proceeds of \$126,500. Each unit is comprised of one common share and one full transferable share purchase warrant. Each warrant is exercisable at \$0.40 per share until March 26, 2022.

During the year ended April 30, 2021, the Company received a total of \$198,840 from the exercise of 1,325,600 warrants. The fair value of \$5,077 for the 1,325,600 warrants was transferred from contributed surplus to share capital.

Share subscription payment received

On March 26, 2021, the Company received \$21,688 for an outstanding share subscription receivable.

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 of stock options	Weighted average exercise price \$
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
Forfeited	(300,000)	0.29
Balance, April 30, 2022	6,650,000	0.27

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

7. SHARE CAPITAL (CONTINUED)

Stock options (continued)

As of April 30, 2022, the Company had stock options outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Number of stock options	Exercise Price \$
April 21, 2026	2,250,000	0.22
May 27, 2026	4,400,000	0.29
	6,650,000	0.27

During the year ended April 30, 2022, the Company granted 4,700,000 (2021 – 2,250,000) stock options to two directors, an officer, and a former director. Each option is exercisable at \$0.29 (2021 - \$0.22) per share until May 27, 2026 (2021 – April 21, 2026). All of the options vested upon date of grant. The estimated fair value of the options was \$1,396,582 (2021 - \$490,035) measured using the Black-Scholes Option Pricing Model with the following assumptions: share price \$0.30 (2021 - \$0.22); exercise price - \$0.29 (2021 - \$0.22); expected life - 5 years (2021 – 5 years); volatility – 231% (2021 – 513%); dividend yield - \$0 (2021 - \$0); and risk-free rate – 0.90% (2021 – 0.94%).

The weighted average remaining contractual life of the stock options outstanding at April 30, 2022 is 4.03 (2021 – 4.98) years.

On February 16, 2022, 300,000 stock options with an exercise price of \$0.29 per share were forfeited unexercised. The Company transferred the \$89,144 fair value of 300,000 forfeited stock options from contributed surplus to the deficit.

Share purchase warrants

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

	Number of warrants	Weighted average exercise price \$
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	0.15
Expired	(8,779,898)	0.13
Exercised	(1,688,500)	0.13
Balance, April 30, 2022	835,000	0.40

As of April 30, 2022, the Company had warrants outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Number of warrants	Exercise Price \$
October 25, 2024	835,000	0.40

On September 4, 2021, 350,000 share purchase warrants and 78,400 finder’s warrants with an exercise price of \$0.15 per share expired without being exercised. On expiry of the finder’s warrants, the Company transferred \$5,265 recorded in contributed surplus to deficit relating to the fair value of the finder’s warrants.

On January 28, 2022, 7,251,498 share purchase warrants with an exercise price of \$0.13 per share expired unexercised.

On March 26, 2022, 1,100,000 share purchase warrants with an exercise price of \$0.15 per share expired unexercised.

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

8. 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:

	2022	2021
	\$	\$
Due to Director and Interim CEO	250,800	139,998
Due to CFO**	24,100	-
A company controlled by the former CFO of the Company*	82,215	108,215
	357,115	248,213

*Amounts are included in accounts payable and accrued liabilities

**On April 30, 2021, the Company entered into a consulting service agreement with the CFO, whereby the Company agreed to pay \$2,000 per month for consulting services.

The following are the transactions with related parties during the years ended April 30, 2022, and 2021:

Consulting fees to Director and Interim CEO	114,000	97,500
Professional fees to CFO	24,000	-
Accounting and professional fees to a company jointly controlled by former Director and former CFO of the Company	-	88,500
Consulting fees to former Director and CEO	-	66,000
	138,000	252,000

Loan Payable

On February 12, 2021, the Company assumed debt of \$100,000 owed to a former Director of the Company's subsidiary, 1286492 B.C. Ltd. The debt is non-interest bearing, unsecured and due on demand (Note 4).

Write-off of Accounts Payable

On February 25, 2021, the Company recorded a \$114,510 write-off of accounts payable for consulting fees due to its former Director and CEO.

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

The Company's significant non-cash transactions during the year ended April 30, 2022 were as follows:

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

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS (CONTINUED)

On August 4, 2021, the Company issued 500,000 common shares with a fair value of \$117,500 pursuant to the Black Dog Agreement.

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.

On January 5, 2022, the Company issued 1,425,000 common shares with a fair value of \$64,125 pursuant to the Wings Shear Agreement.

The Company's significant non-cash transactions during the year ended April 30, 2021 were as follows:

On August 20, 2020, the Company issued 500,000 common shares with a fair value of \$50,000 pursuant to the Black Dog Agreement.

On August 24, 2020, the Company received and returned 150,000 common shares with a fair value of \$11,250 to treasury when the APA on the East Cortez Gold project was cancelled.

On October 31, 2020, a total of 154,000 warrants with a fair value of \$10,342 were issued as finder's fees for the September 4, 2020 private placement.

On November 9, 2020, the Company issued 300,000 shares with a fair value of \$39,000 to settle \$45,000 of consulting fees debt. As a result of the shares for debt settlement, the Company recognized a \$6,000 gain on settlement of debt.

On January 5, 2021, the Company issued 937,500 common shares with a fair value of \$154,688 pursuant to the Wings Shear Agreement. An additional 450,000 common shares with a fair value of \$74,250 were issued as finder's fees for the Wing Shears Property.

During the year ended April 30, 2021, the fair value of \$5,077 for 1,325,600 exercised warrants was transferred from contributed surplus to share capital.

10. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment, being the acquisition and exploration of mineral properties. As at April 30, 2022, all the Company's assets are located in Canada.

11. 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 aforementioned exploration and evaluation work will require additional financial resources. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. 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 year ended April 30, 2022.

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

12. FINANCIAL RISK MANAGEMENT

The Company is exposed to minimal financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

i. Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and other receivables. The Company's cash is deposited in a bank account held with a major bank in Canada. As most of the Company's cash is held by a bank there is a concentration of credit risk. This risk is managed by using major banks that are high-quality financial institutions as determined by rating agencies. Management believes that its credit risk is not significant.

ii. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. On April 30, 2022, the Company had a cash balance of \$56,040 (2021 - \$82,310) to settle current liabilities of \$1,079,260 (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.

iv. Currency Risk

The Company currently has minimal foreign exchange risk as it conducts the majority of its business within Canada and in Canadian dollars.

v. Interest Rate Risk

The Company is not currently exposed to significant interest rate risk.

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

13. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2022	2021
Loss for the year before income taxes	\$ (3,489,379)	\$ (7,143,486)
Statutory tax rate	27%	27%
Permanent difference	\$ 377,000	\$ 1,567,000
Expected tax recovery	(944,000)	(1,932,000)
Change in valuation allowance	565,000	402,000
Share issuance costs	-	(7,000)
Other	2,000	(30,000)
	\$ -	\$ -

Deferred tax balances

As at April 30, 2022 and 2021, the Company has temporary differences between the carrying value of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company's deferred tax assets not recognized consist of the following amounts:

	2022	2021
	\$	\$
Tax loss carry-forwards	783,000	514,000
Exploration and evaluation properties	487,000	189,000
Share issuance costs	6,000	8,000
Net deferred tax assets not recognized	1,276,000	711,000

As at April 30, 2022, the Company also has cumulative resource pools of \$1,803,171 which can be carried forward indefinitely to offset future taxable income in Canada.

As at April 30, 2022, the Company has non-capital losses of approximately \$2,901,000 that may be applied against future income for Canadian income tax purposes. The non-capital losses expire as follows:

	\$
2033	6,000
2035	138,000
2036	98,000
2037	63,000
2038	122,000
2039	61,000
2040	454,000
2041	956,000
2042	1,003,000
	2,901,000

Valorem Resources Inc.
(formerly JDF Explorations Inc.)
Notes to the Consolidated Financial Statements
For the years ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

14. 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 the 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.

15. SUBSEQUENT EVENTS

Loan payable

On May 13, 2022, the Company entered into a loan agreement with The K2 Principal Fund L.P. (the “Lender”), whereby the Lender agreed to loan the principal amount of \$450,000 to the Company. The principal amount bears interest at 10% per annum and matures on November 15, 2022.

Share Consolidation

On July 20, 2022, the Company announced that it intends to consolidate the common shares of the Company on the basis of thirty-five (35) pre-consolidation shares for one (1) post-consolidation share. The share consolidation will become effective at the opening of the CSE market on July 22, 2022. These consolidated financial statements do not reflect this share consolidation.