

# **VALOREM RESOURCES INC.**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the period ended October 31, 2022 and 2021**

*(Unaudited - Expressed in Canadian dollars)*

## **NOTICE OF NO AUDITOR REVIEW**

Under National Instrument 51-102, Part 4 subsection 4.3 (3), if an auditor has not performed a review of the unaudited condensed interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Valorem Resources Inc. have been prepared by and are the responsibility of management.

These unaudited condensed interim financial statements for the six months ended October 31, 2022 have not been reviewed or audited by the Company's independent auditors in accordance with standards established by the Chartered Professional Accountants of Canada.

# Valorem Resources Inc.

## Condensed Interim Consolidated Statements of Financial Position

As at October 31, 2022 and April 30, 2022

(Audited – Expressed in Canadian dollars)

As at,	Notes	October 31, 2022 (unaudited) \$	April 30, 2022 (audited) \$
<b>ASSETS</b>			
Current			
Cash		1,427,192	56,040
Tax receivable		6,991	722
Prepaid expenses	5	890,666	-
<b>TOTAL ASSETS</b>		<b>2,324,849</b>	<b>56,762</b>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities		470,654	704,361
Related party liabilities	8	64,600	274,900
Loan payable	6	218,959	100,000
<b>TOTAL LIABILITIES</b>		<b>754,213</b>	<b>1,079,261</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	7	11,383,178	8,637,878
Contributed surplus	7	2,061,787	2,061,787
Deficit		(11,874,329)	(11,722,164)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>1,570,636</b>	<b>(1,022,499)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>2,324,849</b>	<b>56,762</b>

Nature of operations – Note 1

Going concern assumption – Note 2

Exploration and evaluation assets – Note 4

Approved on behalf of the Board of Directors on December 15, 2022:

“Tony Louie” Director

“Drew Brass” Director

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

# Valorem Resources Inc.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and six month period ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

	Notes	Three months ended, October 31, 2022	October 31, 2021	Six months ended, October 31, 2022	October 31, 2021
				\$	\$
<b>EXPENSES</b>					
Acquisition and exploration expenditures	4	15,000	420,852	15,000	849,939
Consulting fees	8	79,000	29,780	107,500	58,380
Insurance		2,777	2,778	5,555	5,556
Interest expense	6	9,219	-	18,959	-
Office and miscellaneous		1,636	548	3,351	1,747
Professional fees	8	36,655	68,798	77,154	169,364
Promotion		7,500	235,972	7,500	501,558
Registration and filing fees		34,931	95	37,199	767
Share-based compensation	7	-	-	-	1,396,582
Transfer agent fees		5,386	10,989	8,861	24,337
Website		1,086	124	1,086	124
<b>Net loss for the period</b>		<b>(193,190)</b>	<b>(769,936)</b>	<b>(282,165)</b>	<b>(3,008,354)</b>
<b>OTHER ITEMS</b>					
Write off of accounts payable		130,000	-	130,000	-
Net loss and comprehensive loss for the period		(63,190)	(769,936)	(152,165)	(3,008,354)
Basic and diluted loss per share for the period		(0.01)	(0.28)	(0.02)	(1.12)
Weighted average number of common shares outstanding		9,663,479	2,736,086	6,231,979	2,697,229

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

# Valorem Resources Inc.

## Condensed Interim Consolidated Statements of Cash Flows

For the six-month period ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

	2022	2021
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	(152,165)	(3,008,354)
Items not affecting cash:		
Interest expense	18,959	-
Write off of accounts payable	(130,000)	-
Share-based compensation	-	1,396,582
Acquisition of exploration and evaluation assets	-	630,500
<b>Net changes in non-cash working capital accounts</b>		
Decrease (increase) in taxes receivable	(6,269)	16,655
Decrease (increase) in prepaid expenses	(890,666)	497,110
Increase (decrease) in accounts payable and accrued liabilities	(103,707)	144,700
Increase (decrease) in related party liabilities	(210,300)	41,902
<b>Net cash used in operating activities</b>	<b>(1,474,148)</b>	<b>(280,905)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan payable	450,000	-
Loan repayments	(350,000)	-
Proceeds from issuance of common shares	2,745,300	220,505
<b>Net cash provided by financing activities</b>	<b>2,845,300</b>	<b>220,505</b>
Change in cash during the period	1,371,152	(60,400)
Cash, beginning of the year	56,040	82,310
<b>CASH, END OF THE PERIOD</b>	<b>1,427,192</b>	<b>21,910</b>

Supplemental disclosures with respect to cash flows – Note 9

## Valorem Resources Inc.

### Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the period ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

	Number of Common Shares	Share Capital \$	Contributed Surplus \$	Deficit \$	Total \$
<b>Balance, April 30, 2021</b>	<b>2,636,223</b>	<b>7,722,748</b>	<b>759,614</b>	<b>(8,327,194)</b>	<b>155,168</b>
Shares issued for exercised warrants	48,243	220,505	-	-	220,505
Shares issued for acquisition and exploration expenditures	75,357	630,500	-	-	630,500
Expiry of finder's warrants	-	-	(5,265)	5,265	-
Share-based compensation	-	-	1,396,582	-	1,396,582
Net loss for the period	-	-	-	(3,008,354)	(3,008,354)
<b>Balance, October 31, 2021</b>	<b>2,759,823</b>	<b>8,573,753</b>	<b>2,150,931</b>	<b>(11,330,283)</b>	<b>(605,599)</b>
<b>Balance, April 30, 2022</b>	<b>2,800,479</b>	<b>8,637,878</b>	<b>2,061,787</b>	<b>(11,722,164)</b>	<b>(1,022,499)</b>
Shares issued for cash, net of share issuance costs	17,189,375	2,745,300	-	-	2,745,300
Net loss for the period	-	-	-	(152,165)	(152,165)
<b>Balance, October 31, 2022</b>	<b>19,989,854</b>	<b>11,383,178</b>	<b>2,061,787</b>	<b>(11,874,329)</b>	<b>1,570,636</b>

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

# Valorem Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

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### 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 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, 2022, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements have been prepared following the same accounting policies applied to the Company’s audited April 30, 2022 consolidated financial statements. As at October 31, 2022, there is no change in the Company’s significant account policies, and significant accounting judgements, estimates and assumptions unless otherwise noted.

The condensed interim consolidated financial statements of the Company as at October 31, 2022 were approved and authorized for issue by the Board of Directors on December 15, 2022.

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

#### Basis of Measurement

These condensed interim consolidated financial 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.

# Valorem Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

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

#### Going Concern Assumption

These condensed interim 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 October 31, 2022, the Company had not advanced any properties to commercial production. During the period ended October 31, 2022, the Company incurred a net loss and comprehensive loss of \$152,165 (2021 - \$3,008,354) and, as of that date, had a deficit of \$11,874,329 (2022 - \$11,722,164) and working capital of 1,570,636 (April 30, 2022 – Deficiency of \$1,022,499). 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.

#### Significant Accounting Policies

In preparing these unaudited condensed interim consolidated financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited financial statements for the year ended April 30, 2022, with exception to the new accounting policies adopted by the Company discussed below.

The preparation of the unaudited condensed interim consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

#### 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:



# Valorem Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

### 3. NON-BINDING LETTER OF INTENT

During the period ended October 31, 2022, the Company entered into a non-binding Letter of Intent (“LOI”) to acquire 100% of Regency Mining Limited (“Regency”), a private corporation existing under the laws of Seychelles. As consideration, the Company has agreed to pay or issue the following:

- A refundable cash payment of US \$150,000, which is refundable within 30 days if the LOI is terminated (paid);
- A cash payment of US \$250,000 on or prior to July 31, 2022 (paid);
- A cash payment of US \$100,000 upon execution of a Definitive Agreement; and,
- Issue 45,714 common shares.

In addition to the above, the Company has advanced \$363,599 of working capital to Regency, which has been included in prepayments.

### 4. ACQUISITION AND EXPLORATION EXPENDITURES

Cumulative acquisition and exploration expenditures for the period ended April 30, 2022 and October 31, 2022 were:

	<b>Black Dog Lake Project</b>	<b>Wings Shear Property</b>	<b>Total Costs</b>
	\$	\$	\$
<b>Acquisition costs:</b>			
Opening, April 30, 2021	-	-	-
Additions	162,500	577,125	739,625
Ending Balance, April 30, 2022	162,500	577,125	739,625
Additions	15,000	-	15,000
Ending Balance, October 31, 2022	177,500	577,125	754,625
<b>Exploration expenditures:</b>			
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
<b>Exploration expenditures up to April 30, 2022 and October 31, 2022</b>	<b>114,138</b>	<b>250,902</b>	<b>365,040</b>
<b>Total acquisition and exploration expenditures April 30, 2022</b>	<b>276,638</b>	<b>828,027</b>	<b>1,104,665</b>
<b>Total acquisition and exploration expenditures October 31, 2022</b>	<b>291,638</b>	<b>828,027</b>	<b>1,119,665</b>

# Valorem Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

### 4. ACQUISITION AND EXPLORATION EXPENDITURES

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 85,714 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.

During the period ended October 31, 2022, 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.

On September 8, 2022, the Company signed an Amending Agreement (the “Amending Agreement”) and paid \$15,000 to amend the option payment terms to the following:

- The Company is obligated to pay an additional \$55,000 on or before October 31, 2022 (not paid);
- Issue an additional 750,000 shares on or before October 31, 2022 (not issued); and,
- Spend an additional \$200,000 on or before October 31, 2022 (not incurred).

Pursuant to the terms of the Black Dog Agreement and Amending 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)	14,286 shares (issued at a fair 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 (paid)	14,286 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 <sup>st</sup> anniversary date of the effective date (obligation fulfilled)
\$55,000 due on October 31, 2022 (Amended)	750,000 shares to be issued by October 31, 2022 (Amended)	\$200,000 to be spent by October 31, 2022 (Amended)
\$60,000 due on the 3 <sup>rd</sup> anniversary date of the effective date	28,571 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>\$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 28,571 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 28,571 shares to the optionors.

# Valorem Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period ended October 31, 2022 and 2021

(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	21,429 shares (issued at fair 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 (incurred)
Reimburse \$13,130 (paid) of staking fees on the effective date	21,429 shares to be issued 4 months from the payment date (1,071 shares issued at fair value of \$6,188 in prior fiscal year and 20,357 shares issued at fair 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
	42,857 shares (2,143 shares issued at fair value of \$12,375 issued in prior fiscal year and 40,714 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 <sup>rd</sup> year anniversary of the effective date
	42,857 shares (2,143 shares issued at fair value of \$12,375 in prior fiscal year and 40,714 issued at a fair value of \$64,125 in current fiscal year) to be issued 12 months from payment date	
<b>\$58,130</b>	<b>128,571 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 12,857 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.

### 5. PREPAIDS

	October 31, 2022	April 30, 2022
Acquisition deposit (Note 3)	519,617	-
Working capital advance (Note 3)	363,599	-
Marketing	7,450	-
Total	890,666	-

# Valorem Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

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### 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. During the period ended October 31, 2022, the Company repaid \$100,000 to the former Director of the Company's subsidiary. As at October 31, 2022, the balance has been fully repaid.

On May 14, 2022, the Company entered into a Loan Agreement (the "Loan Agreement") with K2 Principal Fund L.P (the "Lender"), whereby the Lender advanced \$450,000 (the "Loan") to the Company. The Loan bears interest of 10% per annum, is unsecured and is due on November 15, 2022. During the period ended October 31, 2022, the Company recorded an interest expense of \$18,959 (2021 - \$Nil) and repaid \$250,000 of the principal.

### 7. SHARE CAPITAL

#### Authorized share capital

Unlimited number of voting common shares without par value.

#### Issued and outstanding

On October 31, 2022, the Company had 19,989,854 (April 30, 2022 – 2,800,479) common shares outstanding.

#### *Share Consolidation*

Effective July 22, 2022, the Company consolidated the common shares of the Company on the basis of thirty-five (35) pre-consolidation shares for one (1) post-consolidation share.

#### Share issuances

#### Share issuances during the period ended October 31, 2022

On September 2, 2022, the Company closed the first tranche of its private placement announced on August 30, 2022, and issued 2,887,500 Units at a price of \$0.16 per unit for gross proceeds of \$462,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share at an exercise price of \$0.21 and expires two years from the date of issuance. The Company paid \$2,500 cash finder's fee.

On September 22, 2022, the Company closed the second tranche of its private placement announced on August 30, 2022, and issued 6,937,500 Units at a price of \$0.16 per unit for gross proceeds of \$1,110,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share at an exercise price of \$0.21 and expires two years from the date of issuance. The Company paid \$2,500 cash finder's fee.

On October 7, 2022, the Company closed the third tranche of its private placement announced on August 30, 2022, and issued 7,364,375 Units at a price of \$0.16 per unit for gross proceeds of \$1,178,300. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share at an exercise price of \$0.21 and expires two years from the date of issuance.

#### Share issuances during the year ended April 30, 2022

On May 5, 2021, the Company issued 20,357 common shares with a fair value of \$306,375 pursuant to the Wings Shear Agreement (Note 4).

On August 4, 2021, the Company issued 14,286 common shares with a fair value of \$117,500 pursuant to the Black Dog Agreement (Note 4).

# Valorem Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

### 7. SHARE CAPITAL (CONTINUED)

#### Share issuances (continued)

On September 3, 2021, the Company issued 40,714 common shares with a fair value of \$206,625 pursuant to the Wings Shear Agreement (Note 4).

On January 5, 2022, the Company issued 40,714 common shares with a fair value of \$64,125 pursuant to the Wings Shear Agreement (Note 4).

During the year ended April 30, 2022, the Company received a total of \$220,505 from the exercise of 48,243 warrants.

#### 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, 2021	64,286	7.70
Granted	134,286	10.15
Forfeited	(8,572)	(10.15)
Balance, April 30, 2022	190,000	9.32
Expired	(7,143)	(7.70)
Balance, October 31, 2022	182,857	9.38

As of October 31, 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	57,143	7.70
May 27, 2026	125,714	10.15
	182,857	9.32

On May 27, 2021, the Company granted 125,714 stock options to three directors and an officer. Each option is exercisable at \$10.15 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 \$10.50; exercise price - \$10.15; expected life - 5 years; volatility - 516%; dividend yield - \$0; and risk-free rate - 0.90%.

# Valorem Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

### 7. SHARE CAPITAL (CONTINUED)

#### Share purchase warrants

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

	Number of warrants	Weighted average exercise price \$
Balance, April 30, 2021	322,954	5.25
Expired	(250,854)	(4.55)
Exercised	(48,243)	(4.55)
Balance, April 30, 2022	23,857	14.00
Issued	17,189,375	0.21
Balance, October 31, 2022	17,213,232	0.23

As of October 31, 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	23,857	14.00
September 2, 2024	2,887,500	0.21
September 22, 2024	6,937,500	0.21
October 7, 2022	7,364,375	0.21
Total	17,213,232	

### 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:

	October 31, 2022 \$	April 30, 2022 \$
Due to Director and Interim CEO	28,500	250,800
Due to CFO**	37,800	24,100
A company controlled by the former CFO of the Company*	82,215	82,215
	148,515	357,115

\*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 period ended October 31, 2022, and 2021:

Consulting fees to Director and Interim CEO	57,000	57,000
Professional fees to CFO	12,000	12,000
	69,000	69,000

# Valorem Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the period ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

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

As at October 31, 2022 and 2021, the Company did not pay any income tax or interest.

### 10. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment, being the acquisition and exploration of mineral properties. As at October 31, 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.

### 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 October 31, 2022, the Company had a cash balance of \$1,427,192 (2022 - \$56,040) to settle current liabilities of \$754,213 (2022 - \$1,079,260). 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.

# **Valorem Resources Inc.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

For the period ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

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### **12. FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **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 has a \$200,000 loan payable with a fixed interest rate. The Company is not currently exposed to significant interest rate risk.